

The Royal Central School of Speech and Drama University of London

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

The Royal Central School of Speech and Drama is registered as a Company Limited by Guarantee, with exempt charitable status, in England and Wales under Company No. 203645. Its registered office is at Embassy Theatre Eton Avenue London NW3 3HY. VAT No. 135 6002 46.

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REPORT BY THE PRINCIPAL

This has been a demanding year. As shown in the accounts which follow, the year concluded with an encouraging result. This reflects the very hard work of all staff in adhering to stringent budgeting. This is vital as we face the cuts imposed by Government on HEFCE, and as we set our sights on a major new building development. We are also preparing for a significant review of exceptional funding: the RISTA - Review of Institution Specific Targeted Allocations, which will focus on the relative 'World Leading' status of the specialist institutions. Unsettling as these circumstances are, and this can be reflected in the National Students' Survey, the year was also enriched by the very positive result of Central's submission to the REF (Research Excellence Framework).

REF

The research culture at Central is relatively young. The School has entered two previous quinquennial assessments. It has been very rewarding to see this dimension of Central's work grow so dramatically. This REF set Central at the pinnacle of our sector, within the context of many long established university departments, and well ahead of any other conservatoire of drama. Research at Central is primarily focused on contemporary practice, rather than historical analysis. Such practice also informs our teaching - to a degree that is unique amongst drama conservatoires. The development of Central's research profile was instigated by Professor Simon Shepherd as part of the School's commitment in joining the Federation that is the University of London. Professor Shepherd retired during the year, and following a programme of restructuring the new post of Director of Research has been established, to which Professor Maria Delgado has been appointed, coming to Central from another college of the University of London - Queen Mary.

It is important that the vitality of our research community be maintained, and indeed increased, in readiness for the next REF in five years' time. The increased funding, which followed the 2014 REF, is a major boost - but unlike previous cycles of research funding which held firm for the whole period between respective reviews, cuts in funding are likely after the first year. The priority given to 'STEM' subjects will continue. The campaign to develop 'STEAM' - so as to include the arts continues, with the added advocacy of the Creative Industries Federation formed during the year past. The compelling statistics of the economic impact of the Creative Industries has been widely canvassed - by no less a personage than the Chancellor of the Exchequer but to little apparent avail so far.

Building Programme - Phase 5 / North Block

The design and preparation work for the new building progressed during the course of the year. The full team of consultants was recruited to work with the architects - Tim Ronalds Architects. A very tight budget has been set, with fair contingencies. The building will comprise five double height studios - to include sound/film and TV provision, a studio theatre with galleried option, a dance and movement studio, and two general purpose studios - to replace the existing Studios 1 and 2, one of them to be capable of presenting to an audience. Wrapped around this block will be ten stories of breakout spaces and offices. As the year concluded, plans were got ready for going out to tender - and a short list of contractors was agreed. Clearly, much depends upon the costs returned by the prospective contractors.

Fundraising for this project began during the year - with significant grants being awarded by the Foyle Foundation and the Wolfson Foundation. A major bank loan will be needed, and promising discussions have been held in this regard. This development should enable most of Central's work to be located in one site. The challenge in the meantime, is to secure temporary alternative accommodation to the studios which have to be demolished to establish the building site.

There is no doubt that Central needs this enhancement of its facilities. Whilst the School could say, until recent years, that we have the best estate of all the drama schools - in what is a very competitive field - a number of other colleges have progressed with substantial building development; notably the Royal Welsh, The Guildhall, RADA, LAMDA, and the Royal Scottish - with Birmingham soon to follow.

Recruitment

The level of application for Central's acting courses continues to be very healthy. But Central is so much more besides. Overall the picture is good - but some areas of BA Theatre Practice, for instance, do present challenges. Central is the only provider of practical puppetry training in our sector, and yet this continues to present difficulties in recruitment. This, of course, says much about the 'supply chain' from the schools. There are worrying signs about how drama will be delivered in schools, especially with the five priority subject areas being established as the core of the English Baccalaureate. So too, support for the training of drama teachers has been radically reduced and/or changed to a system of school placements. Central has had no choice but to withdraw from this field of training, something we have done with great reluctance - but the provision and confirmation of funded places has not been sufficient for us to continue. We will maintain a watching brief, and will also deliver specialist short courses for in service training.

Post Graduate support has also been a concern however, during the year the Government/BIS did establish a basis for loans for PG study, and also a match funding scheme for an interim period to support those who are demonstrably disadvantaged.

Overseas recruitment remains buoyant, with an encouraging development in South America - initially in Chile and now in Colombia.

International Engagements

Central played a key role, as it has in previous years, in shaping the HE element of the Prague Quadrennial (PQ), the major platform for those involved with Theatre design/Scenography, and indeed the design of theatres.

The BA DATE work in disadvantaged areas spread out to the USA/New York with the Crossing Bridges programme celebrated with a showcase presentation in Manhattan - from which further connections should emerge.

Such work continues to be highly regarded in the UK. The partnership with Access All Areas proved to be a catalyst in Central winning The Guardian University Award for student diversity and widening participation.

Central continued with its longstanding relationship with the Minack Theatre in Cornwall, together with workshops in schools in that area. Similar work has been growing in the Medway towns.

Honorary Awards

We were very pleased to take part in the presentation of an Honorary Doctorate of the University of London to our President, Michael Grandage - at the Foundation Day hosted at Buckingham Palace by the University's Chancellor Princess Anne, The Princess Royal.

At Central's Graduation ceremony, once again held at the Royal Festival Hall / Southbank Centre, Honorary Fellowships were conferred upon Stephen Berkoff (an alumnus of Webber Douglas), Sonia Friedman (alumna of Central) and her sister Maria Friedman. We also conferred the title of Professor Emeritus on Simon Shepherd at his retirement from full time engagement at Central.

Honorary Fellowship had been agreed for, and accepted by, Laurence Harbottle, former Chairman of Central. He sadly died before he could attend a formal presentation.

Central's students and alumni continue to win many of the major theatrical awards. The impact of their work was made very apparent at the Edinburgh Festival and Fringe, with some fifty shows being related to Central endeavour - many of them written by Central graduates. A particularly forceful production was Encounter, by Hon Fellow Simon McBurney, largely assisted by Central alumni - designed by Michael Levine, with Sound Design by Gareth Fry. Central now enjoys a formal partnership with McBurney's company Complicité.

The Future

What lies ahead is perhaps the most challenging period of recent operation for Central. Further changes in the financing of Higher Education, and cuts to specialist programmes seem to be inevitable. The philanthropic community is under greater stress to make up the difference. Our Pivot Club is growing as a means of support, and we are grateful for all the benevolent funding we receive - including some very generous bequests. We are blessed with a dedicated Board of Governors and exceptional staff leading a student body to remarkable achievement which belies the notion of austerity.

Professor Gavin Henderson CBE
Principal

STRATEGIC REPORT INCLUDING OPERATING AND FINANCIAL REVIEW

The Royal Central School of Speech and Drama (hereafter referred to as 'Central' or the 'School') is an exempt charity under the terms of the Charities Act 2011 and the Higher Education Funding Council for England (HEFCE) is the principal regulator of Central, both as a Higher Education Institution and as a Charity.

Central has no linked charities attached to it. The members of the Governing Body of Central are the Directors and charitable Trustees of Central.

1 CONTEXT, OBJECTIVES AND STRATEGIES

1.1 Legal Status

Central, herein defined as the parent company, is incorporated as a Company Limited by Guarantee, with a subsidiary Company, CSSD Enterprises Limited.

Central was admitted as a Federal College of the University of London on 1 September 2005.

1.2 Charity Objects

In setting and reviewing Central's objectives and activities, the Governors have had due regard to the Charity Commissioner's guidance on the reporting of public benefit and particularly to its guidance on the advancement of education and fee charging.

The objects for which Central is established are the advancement of education and learning and to promote the knowledge, study and practice of speech training and of dramatic art.

1.3 Vision and Mission

Vision: *To be a world-leading institution of the theatrical and performing arts.*

Mission: *Placing students at the centre of its work, Central develops practitioners and researchers who shape the future of theatre and performance across the UK and beyond.*

This Mission statement forms the cornerstone of the existing Corporate Plan which covers the planning period from 2013-2018.

1.4 Corporate Plan

Central is a Higher Education conservatoire, drawing both of those elements together and situating itself at the junction of HE, industry and community interests,

contributing to the interplay of these interests, and brokering the relationships between them.

The Corporate Plan identifies a number of opportunities and challenges that are expected to be prominent over the period to 2018.

Opportunities during the strategy period are expected to include:

- a) conditions which favour Central's taking up an acknowledged premier position among UK specialist theatre institutions;
- b) optimisation of the student experience through further developed partnerships with companies and professional practitioners;
- c) income generation through fundraising, sponsorship, consultancy and research;
- d) efficiencies and effectiveness through shared services;
- e) development of Central's outreach and business training and establishing a new role as the specialist college with partnership schools;
- f) maximising the value of the University of London brand;
- g) maximising the value of the Royal title for recruitment and general profile in relevant markets and media;
- h) providing leadership and advocacy for the creative industries in Central's areas of specialism;
- i) development of external examinations in speech and drama;
- j) development of an advocacy role through an increased ability to inform government policy and to represent the HE perspective.

Challenges that the School expects to face during the strategy period include:

- a) need for estate development with limited capital funding and the need to identify suitable alternative accommodation during construction work;
- b) continued public-sector austerity throughout the planning period including:
 - likely adjustments to government funding that may strip money out of the HE sector in general
 - increased actual and perceived poverty of those who might think about entering higher education
 - competition from new providers entering the public-funded sector
 - impact of increased student debt burden
 - ability to maintain high student employability including self-employed/freelance
 - assessed need to deliver an annual "Earnings Before Interest, Tax, Depreciation and Amortisation" (EBITDA) surplus in the range of 9-13% to remain sustainable; except in years where there is significant capital development when this may be suspended by exception to recognise the investment in infrastructure during those years;
- c) changed circumstances, and further review, of public funding for specialist institutions and conservatoires from 2015;

- d) changing school syllabus and possible resultant challenge to widening participation and student diversity;
- e) a move to training teachers within school settings;
- f) attracting and retaining high calibre staff, including suitably qualified academic staff to sustain disciplinary specialist expertise in a climate of pay restraint;
- g) the need to optimise environmental performance to enhance economic sustainability;
- h) maintaining and developing research quality in an increasingly selective funding environment;
- i) maintaining the quality of student experience during a downturn and through a period of construction; and matching student satisfaction with student expectation;
- j) sustainability of Postgraduate taught provision in a competitive and changing environment;
- k) effective profile and data management in a world soaked with information;
- l) sustaining appropriate leadership and governance succession arrangements throughout the period.

In dealing with these challenges the School continues to recognise the potency and effectiveness that stem from its small size, disciplinary coherence and the culture of commitment among its students and staff.

The School continues to develop and diversify its range, whilst maintaining its disciplinary-specific culture and customary high quality, promoting intensive engagement with specialist knowledge that can develop applications in new and testing contexts. It believes there are not just opportunities, but productive dialogues, in its relationships with specialist professions and with a diverse range of user groups.

1.5 Values

Central remains committed to:

- a) maintaining the distinctive ethos as an HE conservatoire at the crossing-point of HE, industry and community. This consists of a fluid combination of scholarship and research, industry-related vocational training and research-informed teaching;
- b) recognition that enhancement of learning is a project for staff and students alike, and that it takes many forms and relationships;
- c) active encouragement of diversity as a basis not only for an enriched learning experience but also for an enhanced working environment;
- d) opening doors to disciplines for new thinkers, makers and practitioners in dispersed and diverse communities and seeking to lead participation in varied but interrelated communities of interest and study.

1.6 Strategic Aims and Objectives

A series of over-arching strategic aims are established in the 2013-18 Corporate Plan together with key objectives that flow from them. These relate inter alia to teaching, learning and the student experience; research outputs and the sustainability of the research culture and the School's industry impact. Alongside these, there are objectives relating to the continued development of the School's estate and its organisational resilience and sustainability. A summary of aims and objectives is given below:

Teaching, learning and the student experience

1. Furthering the development of an engagement plan for the supply chain to ensure that Central continues to provide highly-skilled and qualified graduates into the theatre and allied industries across the full range of its courses.
2. Maintaining high quality student experience and the distinctiveness of the provision, ensuring that expectations are met.
3. Defining standards and benchmarking them with international peers in relevant disciplines.
4. Exploring opportunities for, and the feasibility of, extending Central's geographical range of delivery regionally and internationally.

Research (outputs and sustainability)

1. Development of new research leaders.
2. Increasing the quality of research outputs for submission.
3. Diversifying research funding.

Financial performance for sustainability and financial health:

1. Maintaining agreed EBITDA and "Margin for Sustainability and Investment" (MSI) targets and appropriate positive net current assets and cash balances.
2. Diversifying funding and in particular reduce reliance on HEFCE funding.
3. Ensuring affordability of estate development.
4. Maintaining staffing costs within agreed plan.

Industry Impact

1. Further developing Central's external engagement with a focus on "third stream" activity.
2. Discipline-specific engagement models.
3. Collection of employment data.

Estate Development

1. Modelling estate masterplan to 2025 and establish phasing.
2. Delivering Phase 5 by spring 2017.
3. Securing appropriate accommodation for areas affected by Phase 5 build.

Human Resource Development

1. Developing and maintaining a comprehensive learning and development strategy that prepares and equips staff to fulfil the changing requirements of roles in accordance with institutional needs.
2. Maintaining and enhancing career progression routes to retain an appropriate balance of staff.
3. Maintaining and enhancing quality and diversity of staff.
4. Maintaining the integrated contribution of visiting and professional staff.

2 PERFORMANCE REVIEW 2014/15

2.1 Strategic Performance against the current Corporate Plan - 2013-2018

The Board of Governors monitors Central's performance against the strategic aims and objectives set out above. The following is a summary of Central's key strategic achievements for the year:

- a) Undertook a periodic Portfolio Review with external industry representation. This led to the development of three MFA level programmes and a Writing for Performance pathway within the BA Drama, Applied Theatre and Education for entry from 2015/16
- b) Gained Higher Education Academy (HEA) accreditation for the PG Certificate in Teaching and Learning in Higher Education. The programme will initially be offered to Central's staff but will be open to external applicants in future years
- c) Research at Central was recognised as '4* World Leading' in the 2014 Research Excellence Framework (REF) with World Leading Impact assessed at 86.7% against the subject area average of 38.8%
- d) Detailed Planning Consent for the Phase 5 Development was achieved in March 2015. The Development reached RIBA Stage E Detailed Design, and OJEU procurement for the appointment of contractors commenced in July 2015. RIBA Stage F was achieved on 23 September 2015. Following PQQ evaluation, tenders were issued to short-listed Contractors on 9 October 2015 for return in late November 2015. Pledges of £800k towards the capital fundraising appeal have been secured
- e) In addition to capital campaign pledges, recurrent fundraising targets were exceeded. Notable successes included the award of £50k from Sky for MA Scholarships for students with disabilities and match-funding support for the Government Post Graduate Bursary Scheme
- f) In partnership with Access all Areas, won the Guardian University Award for Student Diversity and Widening Participation for the Performance Making Diploma
- g) In challenging circumstances, achieved an excellent year-end financial result to fund future investment and to ensure on-going sustainability. This was

achieved through a programme of targeted cost savings and efficiencies in management.

2.2 Key Performance Indicators

The Governing Body has agreed a number of key performance indicators to assess strategic performance against agreed benchmarks and objectives. Key Indicators for the year under review are shown below. Further Financial Indicators are shown in the Financial Review in section 3 below.

Key Performance Indicator	Year ended 31 July 2015
Payroll costs to remain within 60% of total income	57.4%
Continue to invest up to 1% of staff payroll cost on staff development activity	0.8%
Gender pay gap to be below 0.5%	0.5%
Condition of estates in condition A and B to be above sector benchmark of 80%	98%
Energy costs to remain below sector benchmark of £20 per m ²	£16.42 per m ²
External borrowing to remain below 50% of income	3.6%
Student numbers to remain within HEFCE control number limits	Achieved
Student non-completions below 5%	3.6%
Maintain Student recruitment numbers	
Undergraduate	Target -6%
Postgraduate Taught	Target -7%

3 FINANCIAL REVIEW

The Financial Statements for the Year Ended 31 July 2015 show the group position for Central and include the results of CSSD Enterprises Limited, a subsidiary company. The principal activity of CSSD Enterprises Limited was to operate the student bar during the year.

The School is reporting current year surplus of £1.1m, where income has grown by 5.3% to £15.1m and expenditure has reduced by 2.5% to £14.0m when compared to prior year.

A summary of the Group Income and Expenditure Account is shown below:

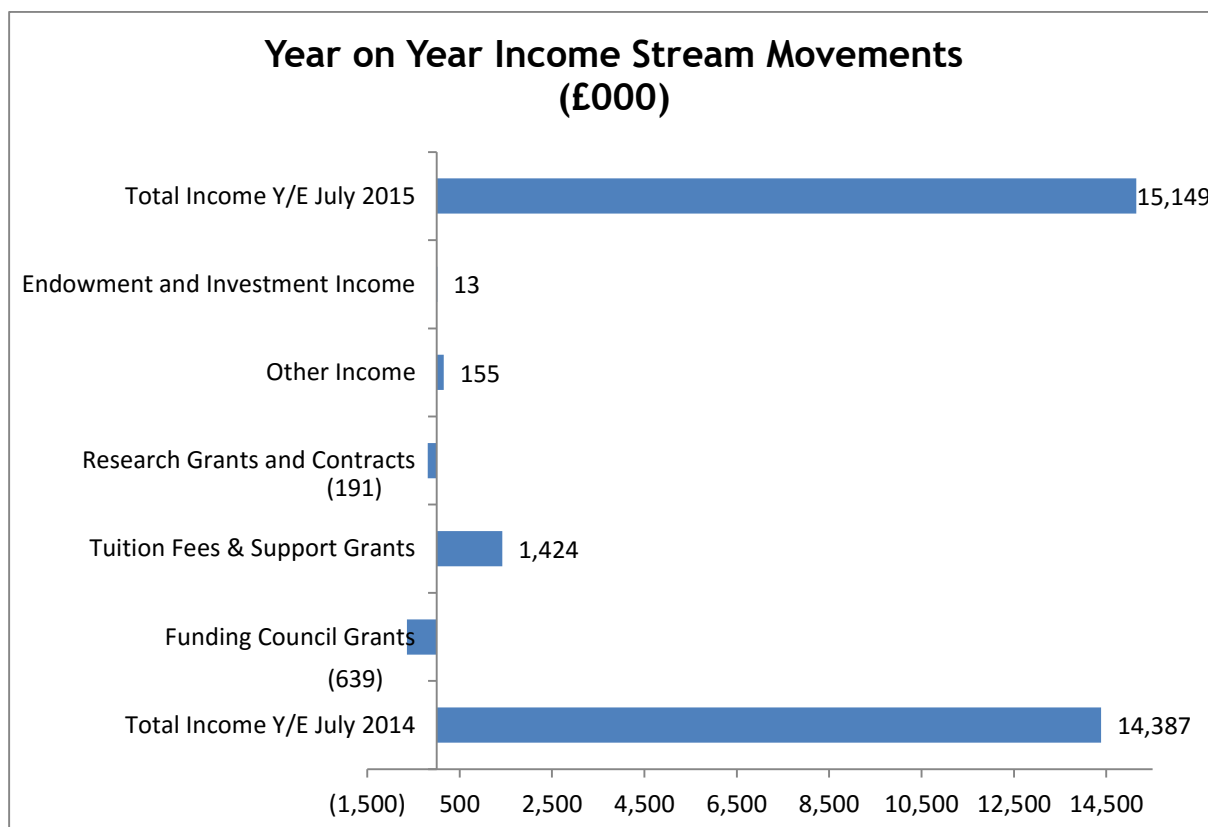
	Year Ended 31 July 2015	Year Ended 31 July 2014
	<u>£000</u>	<u>£000</u>
Income	15,149	14,387
Expenditure	<u>(14,043)</u>	<u>(14,408)</u>
Surplus / (Deficit) for the Year	<u>1,106</u>	<u>(21)</u>
Surplus/(Deficit) % of Income	7.3%	(0.1%)

Income

Revenue Summary	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Funding Council Grants	3,637	4,276	4,690	5,406	5,881
Tuition Fees & Support Grants	10,145	8,721	7,936	6,532	5,627
Research Grants and Contracts	79	270	190	192	131
Other Income	1,220	1,066	1,220	1,025	851
Endowment and Investment Income	68	54	82	116	106
Total Operating Income	15,149	14,387	14,118	13,271	12,596

Central's total operating income for the year is up by £0.8m compared to the previous year. As highlighted in the chart below, this increase is driven primarily through increased tuition fee income. Funding Body Grants from HEFCE, have been reduced by £0.6m from 2013/14 to 2014/15, and continue to represent a diminishing proportion of total income, now representing only 24% of total income compared to 30% in the previous year. The reduction

of HEFCE funding in-year includes a retrospective cut of 2.4% to 2014/15 teaching grants announced in July 2015.



Tuition Fee income including Short Course and Audition fees has improved by £1.4m compared to 2013/14, off-set in turn by reduced Funding Body Grants as the School completes the final year of a three year migration plan to a full three-year undergraduate body of “New Fee Regime” students.

Tuition Fees & Education Contracts Income	2015			2014			Variances			
	£000	No.s	%	£000	No.s	%	£000	No.s	%	
Full-time Undergraduate	- Home/EU	5,274	585	52%	4,002	582	46%	1,272	3	32%
	- Non EU	893	48	9%	922	61	11%	(29)	(13)	(3%)
Full-time Postgraduate	- Home/EU	1,548	173	15%	1,527	184	18%	21	(11)	1%
	- Non EU	1,426	105	14%	1,359	94	16%	67	11	5%
Part-time Postgraduate	- Home/EU	223	65	2%	225	64	3%	(2)	1	(1%)
	- Non EU	7	1	0%	7	1	0%	0	0	0%
Total Tuition Fees	9,371	977	92%	8,042	986	92%	1,329	(9)	17%	
Short Course & Other Fees	774		8%	679		8%	95		14%	
Total	10,145		100%	8,721		100%	1,424		16%	

The table above highlights the fact that the increase of £1.4m sits primarily within Tuition fee income. More specifically, an additional £1.3m (32% increase) compared to prior year was generated within the “Full-Time, Undergraduate, Home” student classification. Full-time home undergraduate student income increased from 46% in 2013/14 to 52% in 2014/15 of total tuition fee income.

Other income is up £0.15m from 2013/14, driven predominately by donations income. This included a £0.1m legacy endowment earmarked to support future scholarships on two specialist masters programmes.

Expenditure

Expenditure Summary	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Staff Costs	8,690	8,601	7,636	7,419	6,955
Other Operating Expenses	4,697	5,095	4,738	4,289	4,572
Depreciation	606	599	594	608	645
Interest and Other Finance Costs	48	105	93	95	105
Transfer to endowment fund	2	8	14	-	-
Total Operating Expenditure	14,043	14,408	13,075	12,411	12,277

Total Operating Expenditure has decreased by 2.5% from 2013/14, driven predominately through decreased spend within “Other Operating Expenses” and “Interest and Other Finance Costs”, which have decreased by 7.9% and 54.3% respectively when compared to the previous year.

Expenditure on staff costs is the highest cost item, representing 57% (2013/14 - 60%) of total income. Staff costs are up 1% (£0.09m) on the prior year, this small increase masks significant savings achieved where operational circumstances allowed against a background of a 2% national pay award, incremental progression of 3% to eligible staff and increased employer pension costs. Savings were achieved by undertaking a management restructuring exercise which resulted in the removal of three posts and by holding vacancies open and postponing recruiting to certain non-student facing posts in year without detriment to the student experience.

Other operating expenses for the year 2014/15 have decreased by £0.4m when compared to 2013/14. This is due to reduced expenditure within computer and web-site maintenance costs (£0.06m) as projects moved from a development to maintenance stage in 2013/14 and

2014/15 respectively. Planned efficiency savings were achieved across most operational departments in-year. Notable achievements include lower postage, printing and periodicals costs (£0.06m) achieved by value for money savings within stationery and printing procurement and self-employed professionals (£0.1m) due to reduced research project activity. Reduced recruitment agency costs (£0.25m) were achieved through a change in policy regarding vacant position cover. In 2014/15 vacant position cover was either covered through rebalancing duties of contracted staff or through fixed term contracts rather than recruitment agency staff as was the case in 2013/14.

Year-end Result

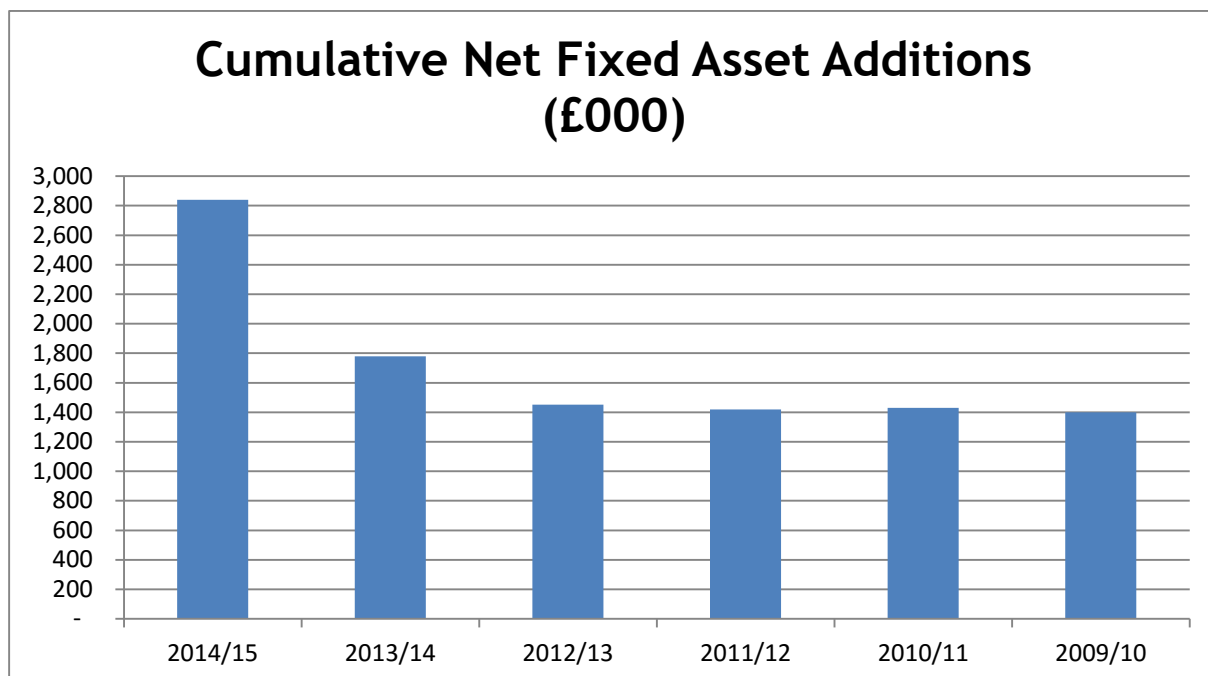
The year-end result of a surplus of £1.1m or 7% of income was very pleasing especially considering the difficult funding environment of absorbing retrospective cuts in-year; and represents a significant improvement on the prior-year. Central had budgeted for a 5% surplus in-year. The 2% improvement was achieved through a combination of higher income, particularly short course and audition fees and through prudent management, management restructuring and a programme of planned savings and efficiencies. The result will provide a strong Margin for Sustainability and Investment (MSI) of 12% to part-fund the Phase 5 Development Project and to provide a contingency and flexibility buffer to enable Central to navigate through a period of continued Government austerity.

Capital Projects

“Phase 5” is Stage 5 of Central’s six phase estates master plan to address the longer term space requirements of both students and staff at the School.

Capitalised costs of £1.1m incurred during the year, comprises £0.9m of consultancy costs associated with taking the project to a detailed design stage “Royal Institute of British Architects (RIBA) stage E”. Since the year-end the project has moved to Stage F.

It is anticipated that the construction of the new building outlined under “Phase 5” will take place during the period 2015/16 to 2016/17, with expected occupancy in spring 2017.



Investment Performance

Cash balances plus short term deposits at the end of the year stood at £10.3m, up £0.7m when compared with prior year, and represents the equivalent of 280 days of expenditure. A net cash inflow from operating activities of £1.6m was generated in year.

The Treasury management policy of the School reflects a low/medium appetite for risk, where liquidity and capital preservation represent the two essential criteria guiding cash management. Diversification of funds across a range of highly rated banking institutions was also employed to reduce exposure to counter-party risk.

Key Financial Indicators

	Royal Central School of Speech and Drama		Sector Mean*
	2014/15	2013/14	2013/14
Current Ratio	5.34	6.27	N/A
Net Liquidity (Days)	280	256	122
Cash flow from operating activities as % total income	12.25%	0.30%	8.4%
External Borrowing as % of total income	3.6%	4.4%	26.3%

(* Source: "Financial health of the higher education sector" - Financial Results and TRAC Outcomes HEFCE March 2015/07)

The above financial indicators represent a healthy liquidity position for the School, the Current Ratio has marginally decreased and External Borrowing measures remain the same. Net Liquidity (Days) of 280 for the School, is an improvement on the prior year and remains significantly better when compared to the sector mean of 122 days. Cash flow from operating activities is substantially up both in absolute terms and as a percentage of total income when compared against prior year (2014/15 £1.6m / 2013/14 £0.04m), driven predominantly through the delivery of a surplus after depreciation of £1.1m in year compared to a prior year deficit after depreciation of £0.02m.

Pensions

The School participates in two schemes, the LPFA superannuation scheme, a local government scheme which in London is managed by the London Pensions Fund Authority and the Teachers' Pension Scheme (TPS). Both schemes are multi-employer and defined benefit schemes.

The TPS provides pensions to teachers who have worked in schools and other educational establishments in England and Wales. The scheme is an unfunded statutory public service pension scheme with the benefits underwritten by the Government. The scheme is financed by payments from the employer and from those current employees who are members of the scheme who pay contributions at different rates which depend on their salaries. The rate of employer contributions is typically set following an actuarial valuation. The previous valuation of the scheme was carried out as at 31 March 2004 and this recommended an employer contribution rate of 14.1%. A valuation as at 31 March 2008 was due to be completed in 2010, but this was put on hold pending the completion of Lord Hutton's review of public sector pensions.

The Department of Education published the latest TPS valuation report as at 31 March 2012 on the 9 June 2014. Following the recommendations of Lord Hutton on public sector pensions, the valuation has been undertaken by the Government Actuary's Department in line with the revised valuation directions determined by Her Majesty's Treasury. The directions require the existing TPS and the new scheme being introduced for the teachers' workforce on 1 April 2015 under section 1 of The Public Service Pensions Act 2013 to be taken into account in aggregate for the purposes of the current valuation.

The report confirms that the employer contribution rate for the TPS would increase from 14.1% to 16.4% with effect from 1 September 2015. The employer contribution rate is expected to be reassessed at the actuarial valuation to be carried out as at 31 March 2016 (and each subsequent four yearly valuation). The next revision to the employer contribution rate is expected to take effect from 1 April 2019.

The TPS is unable to identify the School's share of the underlying assets and therefore the School is exempt from detailed reporting in the accounts in accordance with the relevant reporting standard Financial Reporting Standard 17 (FRS 17).

The LPFA scheme currently shows an FRS 17 deficit of £4.4m for the School, representing a significant deterioration from a deficit of £2.8m reported at the previous year end. The

£4.4m liability reflects changes in assumptions underlying the present value of the fund's obligations compared to the fair value of scheme assets as at 31st July 2015. The present value of the fund's obligations for the School has increased to £12.5m, up £2.5m on the previous year. The fund's assets in turn have only increased by £0.9m to £8.1m. The next actuarial valuation of the fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. Based on the 2014 LPFA covenant review, the School paid an employer contribution rate of 14%. This rate is set for a 3 year period from 1 April 2014 to 31 March 2017 after confirmation of the School's "Funding Strategy Statement" (FSS) category. The School's share of the LPFA scheme deficit is reflected in the balance sheet in accordance with FRS 17.

Future Outlook and Key Risks

In July 2015 the School submitted its 3 year forecast to the Higher Education Funding Council for England (HEFCE) for the period up to 2017/18. These forecasts acknowledge on-going uncertainties across the sector such as:

- Regulated undergraduate tuition fees remaining flat at a maximum of £9k until 2016/17. From 2017/18, institutions will be able to raise tuition fees in line with inflation.
- Student maintenance grants will be replaced by loans from 2016/17 onwards for new students only.
- Higher staff costs and the sustainability of current pension schemes.
- The level of public funding, in particular, cuts to Teaching grants including exceptional funding and student opportunity grants and the lack of capital grants for specialist HEIs presenting real challenge in the financing of major capital building projects.

Against this background, the School's key Corporate Plan priorities, detailed in the Corporate Plan for the period 2013 to 2018, focus on:

- Attracting and retaining high calibre academic staff
- Estate development
- Constantly testing relevance of the School syllabus and skills provision
- Pursuing environmental performance to enhance economic sustainability
- Ensure on-going sustainability.

Investment in the on-going sustainability of the School is clearly evident through the School's investment in staffing costs and ambitious plans with regard to the estate investment plan (Phase 5), all aimed at enhancing the teaching, learning environment and ultimately the student experience. The emphasis on surplus generation and the accumulation of surpluses to date enables the School to invest strategically in support of the corporate plan. As evidenced above, investment will take the form of both capital investment and additional recurrent spend. It is anticipated that the capital element of the investment plan will be funded through a combination of an external loan facility, a School Capital fundraising campaign and internal reserves.

Financial sustainability underpinning the investment behind the School's Corporate Plan has been fully tested and reflected in the five year financial forecasts to 2017/18 as submitted to HEFCE. The table below summarises key financial ratios closely associated with the assessment of an institution's long term financial sustainability:

	Actual 2013-14	Actual 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18
Historical Costs surplus/(deficit) as a % of total income	(0.1)	7.3	1.9	4.4	5.5
Discretionary reserves as a % of total income	79.5	84.0	82.8	81.8	84.2
External borrowing as a % of total income	4.4	3.6	47.5	42.4	38.5
Net cashflow as a % of total income	0.3	12.2	2.3	6.5	15.8
Net Liquidity days	256	280	247	102	150
Staff costs as % of total income	59.8	57.4	60.3	58.8	57.9
EBITDA as a % total income	3.0	9.0	4.6	7.9	10.9

Throughout this period, discretionary reserves excluding pension liability as a percentage of total income range between 79.5% and 84.2% which is significantly above the sector average of 64.4% prediction for 2013/14 reported within "Financial Health of the higher education sector" (HEFCE 2015/07). The focus on discretionary reserves is due to the fact that they can act as a buffer against large, unexpected financial pressures.

The measure "Net Liquidity (Days)", indicates the School's ability to respond to short term financial pressures. Whilst dipping to 102 days in 2016/17, this is higher than the predicted forecast sector average of 95 days for 2014/15 (HEFCE 2014/26). Detailed cash-flow analysis also highlights a healthy liquidity position throughout the planning period.

The School is moving forward from a position of strength and a strong focus on long term financial sustainability, noting a healthy Balance Sheet reflecting low debt and a high cash balance position with a good level of reserves and a strong track record of generating surpluses. The School has therefore a reasonable expectation that adequate resources exist to continue operations for the foreseeable future and the going concern basis continues to be appropriate for preparing the annual financial statements.

Risk Management

Risk management is conducted at both a strategic and operational level across the School. It is periodically reviewed by the Governing Body, Finance and Employment Committee, Audit Committee and Executive Management Group. The risk management process itself is also subject to internal audit review. The reviews consider the addition or deletion of risks and the reassessment of impact and probability as well as the adequacy of action being taken to mitigate risk. The high level risk register includes certain items which are generic to the sector and not wholly within the School's control.

There are two key risks to the financial health and sustainability of the School related to student recruitment. Both risks are reflected on the School Strategic Risk Register:

- a) Reduction in the number of overseas student applications/acceptances resulting in loss of forecast income; and
- b) Reduction in the number of home/EU postgraduate taught student applications/acceptances resulting in loss of forecast tuition fee income and possible under-performance against the HEFCE contract.

The above risks highlight the potential for increased income volatility as a result of pressures on student recruitment, including increased competition for international students from other countries and a significant fall in part-time undergraduate and postgraduate numbers.

The School is responding to these risks by undertaking a combination of the following actions:

- a) Development of a proactive marketing strategy.
- b) Continued investment in infrastructure including the Phase 5 Development and capital equipment.
- c) Refocused staff resource to maximise effectiveness of the marketing strategy.
- d) Investing in website, press and social media enhancements to seek a competitive edge to attract students worldwide and facilitate a more proactive press and social media campaign to correct any false reporting, highlight good news stories and promote the School's achievements.
- e) Development of Scholarships to attract high quality applicants.

Other key risks identified by the School and logged on the School Strategic Risk Register include:

- a) Unsustainable pension schemes resulting in significant pension scheme liabilities.
- b) Insufficient on-site or off-site physical space of good quality to meet operational requirements.
- c) Failure to secure sufficient level of finance and HEFCE borrowing consent for the "Phase 5" new build development.
- d) Potential adverse impact on student experience and satisfaction ratings during the construction phase of the "New Build" project.
- e) Effects of continued austerity within the Higher Education sector
- f) Inherent inflexibility of the business model and the very long lead time for change to take effect.

PUBLIC BENEFIT

Central's charity objects are the advancement of education and learning and to promote the knowledge, study and practice of speech training and of dramatic art.

Specific core public benefit aims include:

- a) developing the leading practitioners of the performance industries;
- b) developing leading edge knowledge in performance practice and application;
- c) promoting the societal value of performance;
- d) creation of new audiences;
- e) offering specialist speech and drama training that is innovative, socially responsive and tailored to the needs of diverse groups by working with schools, voluntary and community organisations, businesses and communities and the public sector;
- f) reaching out to under-represented groups to inspire interest in pursuing a career in theatre arts;
- g) developing a culture that productively uses and enjoys difference;
- h) continuing to build upon community engagement activity within Central London, nationally and internationally; and
- i) promoting widening participation and fair access through Central's Access Agreement which provides bursary support and increased investment in outreach work.

Public Benefit Performance

Teaching, learning and the student experience

Students from BA (Hons) Drama and Applied Theatre in Education, led by alumna Cathy Englade (MA Applied Theatre, 2012) collaborated with New York charity Covenant House International (the largest privately funded organisation working with homeless children across North and South America) on the Crossing Bridges Play Festival in Manhattan, working with Covenant House residents and a line-up of Tony Award and Pulitzer Prize winners and nominees. The charity, audience and media acclaimed the event's success, and conversations about future collaborations between Central and Covenant House International continue.

Fifteen final year BA Acting (Collaborative and Devised Theatre) students and a team of BA Theatre Practice students worked with professional colleagues to devise the first ever stage adaptation of Sapphire's novel PUSH, best known from Oscar Winning Film Precious, presented in a double bill with a first glimpse of Blind Summit's next show prior to its performances in Edinburgh. Alongside public performances, PUSH was performed to students aged 16+ from inner city London schools and colleges to encourage dialogue and change perceptions that drama schools are the preserve of the white middle classes.

Staff and students took part in the world's largest event dedicated to theatre architecture and scenography. The 2015 Prague Quadrennial of Performance Design and Space took over streets in Prague's city centre and educational and cultural buildings throughout the capital to create a unique, urban festival with a strong international component.

Two student performances from Central were selected from more than 250 entries world-wide and, separately, two students were selected to participate in the student curator team for the official UK student submission.

Jessica Bowles, Principal Lecturer and Course Leader for MA/MFA Creative Producing and Artistic Leader of SpaceLab (the educational arm of the festival,) led an international student team in curating and producing a programme of workshops and performance with leading artists from across the globe, while other members of Central staff led presentations, discussions and seminars.

The School became one of only two in the UK to offer the Perdekamp Emotional Method as part of its Acting course bringing this important technique to London.

Central students enjoyed a number of successes winning the prestigious Alec Guinness Memorial Award and a Scottish Daily Mail Drama Award and as runners up for the Carleton Hobbs Bursary Awards and finalists for the European Opera Prize and The Stephen Sondheim Society's Student Performer of the Year.

The School again hosted the Association of Lighting Designers / White Light New Technology Showcase which annually brings industry professionals to Central to explore and compare the latest lighting technology available on the market. As always, the event was planned, rigged, programmed and hosted by Central's Year 2 Theatre Lighting Design and Production Lighting students together with event staff from White Light providing valuable experience and networking opportunities for students.

Research (outputs and sustainability)

In December, the School learned that its overall profile within the 2014 Research Excellence Framework (REF) was the highest of all the assessed drama and music conservatoires in England, Wales, Scotland and Northern Ireland. Central scored particularly well for impact, with 86.7% of its submission classed as 4* ("world leading") against a subject area average of 38.8%. Three impact case studies were put forward for review, based on the research of senior staff members Professor Ross Brown, Dr Catherine McNamara and Amanda Stuart Fisher. Always close to the theatre industry and practitioners, Central has continually emphasised the impact of its research and this result was a welcome recognition of the fact.

Subsequently, the School was awarded an increase in research funding from £360,117 to £672,740 for the 2015-16 academic year. The increase, nearly doubling Central's previous allocation, was one of the highest in the sector. In announcing the awards, HEFCE noted that it "wished to continue to recognise ... world-leading 4* performance and also to

celebrate the success of institutions that have increased their volume of internationally excellent work”.

Developing the Leading Practitioners of the Performance Industries

- a) A range of higher educational professional training programmes were delivered to 994 students: 637 full-time undergraduate students; 271 full-time postgraduate students; 11 full-time PHD students; 61 part-time postgraduate students and 14 part-time PHD students.
- b) Central awarded 493 higher education awards: 204 Bachelor of Arts degrees (37 at First Class), 3 DipHE, 10 Cert HE, 245 Masters of Arts degrees, 24 Postgraduate Cert/Diplomas and 7 Doctorate awards.
- c) Approximately 350 undergraduate and postgraduate students went on placement in a variety of settings that included: National Theatre, Harefield Hospital Young Vic, Almeida, LIFT Festival, Shakespeare’s Globe, Clean Break and Stratford Circus.
- d) Central continues to work extensively in prison settings. In 2014/15, Central again worked with the alumni-led company Second Shot Productions, moving their long-standing collaboration to HMP Thameside. The School also took the model for the project abroad, with placement students delivering a project in Malta’s only prison.
- e) Also further afield, international placements saw students working with Covenant House in New York and with the non-profit organisation Sneha in Dhavari, Mumbai, an area believed to house over 1 million people living in 1 square mile, to deliver the only sustained theatre project or educational project working with Dharavi young people.
- f) International placement expenses were once again generously covered by a grant from The Leverhulme Trust.
- g) 16 public productions (95 public performances) were staged at Central to an audience of 9,273; the annual Craft and Design exhibition by third year BATP students attracted approximately 400 people; MA students and PhD candidates again staged public festivals and exhibitions including the Brink and Collisions Festivals.
- h) Alumni and current students were involved in over forty productions in the 2015 Edinburgh Festivals.

The Andrew Lloyd Webber Foundation again supported a position as Associate Musical Director role, enabling an emerging Musical Director to gain professional experience in a training environment; and The School continued to use funds from the Behrens Foundation and Sir Siegmund Warburg’s Voluntary Settlement to support delivery of the academic programme.

The School continued to use generous funds from the Leverhulme Trust and Fondation Bay to offer outreach opportunities using drama and performance in a range of different social and community settings in London (Fondation Bay), nationally and internationally (Leverhulme Trust).

Developing leading edge knowledge in performance practice and application; Central’s history and current practice in theatre and performance training means that much of the

research carried out in the institution is rooted in practice across a range of disciplines, with a range of public events throughout the year, reaching a pinnacle with the annual Edward Gordon Craig Lecture in association with the Society for Theatre Research, which was given in 2015 by Professor Serge Von Arx.

In August 2014, the School hosted the annual conference of the Voice and Speech Trainers Association. The School was invited to host the conference in recognition of its role as one of the most influential sources of current voice practices and the fully-subscribed event teachers and practitioners from all over the world including the world-renowned voice teacher Kristin Linklater visit Central.

In November, the School hosted a series of events surrounding Voicing Gender: Vocal Authority for the Public Platform as a part of the UK's first national festival of the humanities, the Being Human Festival with an affiliated Platforms event The Female Voice, held at the National Theatre.

Promoting the societal value of performance/ creation of new audiences/ continuing to build upon community engagement activity in London, nationally and internationally;

The School responded to this set of objectives by:

- a) the School extended use of its facilities to a range of community and professional organisations including the Michael Grandage Company; Bill Kenwright; Leicester Curve; Working Title Films; ENO Baylis; Redbridge College; GEM Productions; Sesame Institute; Association of Dyslexia Specialists in HE (aDshe); Association of British Theatre Technicians (ABTT); Clean Break; and a range of Alumni and Alumni start-up companies;
- b) again hosting Talawa Young People's Theatre (TYPT)'s devised performances as the culmination of Talawa's annual year-long project.

Working with Generation Arts on a three-week intensive collaborative project in acting and theatre-making for participants aged 18-25 who are not in education, employment or training.

The School worked with Theatre Peckham on a project funded by the Arts and Humanities Research Council through the Creativeworks London Knowledge Exchange Hub to research the value that young people (aged 14 - 21) place on education and participation in the arts, working also with London Bubble. The subsequent report [What's It Worth? Evidencing the Value of Participation at Theatre Peckham](#) was published in Autumn 2014 and launched at Central.

As usual, students presented work throughout the UK with BA (Hons) Drama, Applied Theatre and Education students staging 5 days of performances at the Minack theatre in Cornwall, alongside a programme of approximately 35 workshops with local primary schools ;BA (Hons) Acting - Collaborative and Devised Theatre students appeared at the New Diorama theatre and BA (Hons) Acting Musical Theatre students gave 8 performances as part of the continuing relationship with Derby Live, accompanied by a programme of 5 workshops for schools.

Second year BA (Hons) Theatre Practice students specialising in Performance Arts produced the Dice Festival, featuring 21 acts over three days.

The School's local relationships continued to include The Roundhouse, Hampstead Theatre, JW3 and Camden Arts Centre, which, together with Central, constitute the Cultural Camden initiative in collaboration with Camden Council. Central is also a part of the Roundhouse's Call to Create initiative.

Offering training that is innovative, socially responsive and tailored to the needs of diverse groups by working with schools, voluntary and community organisations, businesses and communities and the public sector/ Reaching out to under-represented groups to inspire interest in pursuing a career in theatre arts/ developing a culture that productively uses and enjoys difference.

The School responded to these linked objectives by:

- a) Undertaking the first year of a three-year partnership with Access All Areas, a theatre company for people with learning disabilities. The partnership provides a one-year performance making diploma for adults with learning disabilities and successfully raised funds from the Leverhulme Trust for scholarships allowing places to be heavily subsidised. The year-long project culminated in a three week devising project and performance at Central. In March, the project was awarded the 2015 Guardian HE Award for Student Diversity and Widening Participation.
- b) Delivering a four-day residential summer school to fifteen Looked After Children (LAC) secondary school participants in collaboration with the University of Hertfordshire and the University of Cambridge.
- c) The School delivered a range of non-award bearing professional and community programmes to over 3,000 individuals: 674 short-course students (including Diploma students); 372 Saturday Youth Theatre students; 31 individual clients and approximately 2,000 individuals from 39 client groups including St John's Hospice, Bartlett School of Architecture, Open University, Imperial College, European Commission, Accenture, NHS Chelsea & Westminster Trust, Cisco, Kings College and Twitter. 126 higher education workshops and master classes were delivered in schools, colleges and community groups across London and England to over 1000 participants.

Promoting Widening Participation and Fair Access through Central's Access Agreement

Activities included:

- a) The School match-funded a total of 43 awards to first year students from low-income backgrounds through the National Scholarship Programme (NSP).
- b) As well as the NSP awards, Central awarded 13 OFFA funded cash bursaries to enable all first year students from low-income backgrounds to receive funding for 2014/15. Seven diploma bursaries were also awarded (4 x Gap Year, 2 x Acting, 1 x Musical Theatre) to targeted students.

- c) The 'Audition Voucher Scheme', entitles participants in these workshops to a free audition at Central. Over 200 vouchers were distributed to targeted students and approximately 109 returned in 2014/15 in lieu of the £55 audition fee for BA Acting. There is no longer a charge for interview fees on the theatre practice courses.
- d) The Derby Live and Theatre in Education for primary schools projects were made possible through Central's access funding.
- e) Throughout 2014/15, 560 free tickets to see Central's public performances were given to targeted students from local schools, colleges and community groups with whom we closely collaborate.
- f) The School delivered Student Ambassador training to 42 Central Students, making a total of 84 including existing ambassadors and reflecting the whole student body. 79 Ambassadors were drawn from the full range of undergraduate courses and 5 from postgraduate courses.
- g) Two student ambassador mentoring schemes were delivered for students from a widening participation background.
- h) The School attended and presented at 6 HE/Careers Fairs in the UK working with over 330 participants.

Alongside use of targeted OFFA funds the School continued to raise income and to dedicate a proportion of its reserves to ensure that access to the school is as wide as possible. Prize funds and Scholarships in 14/15 included: the Clive Brook Prize; Tunstall Award; Gary Bond Award; Andrew Lloyd Webber Foundation Scholarship and Commercial Education Trust award; Guildford Academic Associates Scholarships; and the Savile Club Scholarships. Scholarships were supported by the Savile Club Bursaries were supported by The Stanley Picker; Shores; Neaveth Fund, Ashley Family Foundation, The Andy Stewart Charitable Trust and The Roger and Ingrid Pilkington Trust.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and financial statements of The Royal Central School of Speech and Drama to obtain a better understanding of its governance and legal structure.

Central is an Independent Company Limited by Guarantee and an Exempt Charity. Its objects, powers and framework of governance are set out in the Articles of Association. The Privy Council approved the current version of the Articles on 25 February 2014.

The Articles require the institution to have a Governing Body and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The **Governing Body** is the executive governing body. The Governing Body has a majority of independent members, chosen in accordance with strict criteria contained in the legislation. The Chair is elected from among the independent members. There is also provision for the appointment of co-opted members, and representatives of the staff and the student body. No members of the Governing Body receive any reimbursement for the work they do for that body.

Central maintains a register of interests of Members of the Governing Body and senior staff, which may be consulted by arrangement with the Clerk to the Governors. No conflicts of interest have been revealed by review of returns for the current year. Details of Governing Body Membership on other charities or relevant bodies are publicly available on the Governance section of Central's website.

In accordance with the Articles of Association, Debbie Scully, the Deputy Principal and Deputy CEO of the institution, has been appointed as Clerk to the Governing Body. In that capacity, she provides advice on matters of governance to all Members of the Governing Body. In order to eliminate potential conflict of interests with other management responsibilities of the Clerk's role, Karen Burnell has been appointed as Deputy Clerk to Governors. During the year under review, Karen Burnell acted as Minuting Secretary to Governing Body Committees.

All the Governors of Central are Directors of the Company. The role of non-executive director is unpaid but out of pocket expenses are available and those paid during the year are noted within staff costs.

The Governors serving during the year are as shown below:

Name	Category of Membership	Committees Serviced
Paul Taiano (<i>Chairman of Governors</i>)	Independent	Remuneration Committee (Chair) Nominations Committee (Chair) Finance and Employment Committee Investment Committee Phase 5 Development Project Planning Group
Anthony Blackstock	Independent	Audit Committee (Chair)
Professor Ross Brown	Staff (Academic Board)	Search Committee - Chairman of Governors Phase 5 Development Project Planning Group*
Victoria Dickie	Independent	Phase 5 Development Project Planning Group
Sarah Fortescue	Postgraduate Student (<i>Retired on 30/09/2014</i>)	
Eleni Gill	Independent (<i>Appointed 13/7/2015</i>)	Audit Committee
Alan Haigh	Independent (<i>Appointed 11/5/2015</i>)	Audit Committee
Dame Pippa Harris	Independent	Nominations Committee
Professor Gavin Henderson CBE	Ex Officio (Principal/CEO)	Finance and Employment Committee Nominations Committee Search Committee - Chairman of Governors Phase 5 Development Project Planning Group
Menna McGregor	Independent	Audit Committee
Professor Simon McVeigh	Independent	Academic Board (<i>Link Governor</i>)
Anne Mensah	Independent	Finance and Employment Committee
Jodi Myers	Independent	Nominations Committee Search Committee - Chairman of Governors Equality and Diversity (<i>Governor Champion</i>) Phase 5 Development Project Planning Group
Charles Perrin CBE	Co-opted (University of London)	Finance and Employment Committee (Chair) Investment Committee (Chair) Search Committee - Chairman of Governors (Chair) Remuneration Committee Phase 5 Development Project Planning Group

Name	Category of Membership	Committees Served
Natalie Poernig	Student Union President	Search Committee -Chairman of Governors
Peter Roberts (Deputy Chairman of Governors)	Independent	Nominations Committee Remuneration Committee Health and Safety (Governor Champion) Phase 5 Development Project Planning Group
Geoffrey Rowe	Independent (Appointed on 13/7/2015)	Finance and Employment Committee
Martin Scott	Independent (Retired on 13/7/2015)	Audit Committee
Dominic Tulett	Staff	-
Leonora Twynam	Independent (Retired on 13/7/2015)	Finance and Employment Committee
Leonie Webb	Postgraduate Student (retired on 25/09/2015)	

The following changes occurred after the year-end before the Financial Statements were signed:

- Leonie Webb, Postgraduate Student Governor, retired from the Board of Governors on 25 September 2015
- Menna McGregor retired from the Audit Committee in August 2015 and joined the membership of the Finance and Employment Committee and Remuneration Committee in October 2015.

The Board of Governors of Central is committed to exhibiting good practice in all aspects of corporate governance.

Central endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and to apply the guidance to institutions of higher education from the Committee of University Chairmen (CUC) in its *Higher Education Code of Governance published in December 2014*.

The Governors have adopted the core values of higher education governance as set out in the HE Code of Governance, which build upon the above principles of public life, and have adopted the seven primary elements of governance which underpin these values, as outlined below:

1. to be unambiguously and collectively accountable for institutional activities;

2. to protect institutional reputation by being assured that clear regulations, policies and procedures that adhere to legislative and regulatory requirements are in place, ethical in nature and followed;
3. to ensure institutional sustainability;
4. to receive assurance that academic governance is effective;
5. to work with the Executive to be assured that effective control and due diligence take place;
6. to promote equality and diversity throughout the institution;
7. to ensure that governance structures and processes are fit for purpose.

The Governors have applied in full five of the seven elements of the Code in the year ended 31 July 2015 and partially applied two of the elements. The following action is in progress in order to apply all elements from 2015/16:

ACTION plan:

- Consolidate Central's ethical policy processes by approving a comprehensive institution-wide Policy Framework
- Delivery of the Annual Academic Quality Assurance Report earlier in the year to include further benchmarking and the Academic Improvement Plan

With the exception of the action points listed above, Central has applied the provisions of the new Code of Governance published in December 2014.

The Governing Body has also adopted a Statement of Primary Responsibilities which is set out below.

Statement of the Governing Body's Responsibilities

In accordance with The Higher Education Code of Governance published by the Committee of University Chairmen (CUC), the Governing Body has adopted a Statement of Primary Responsibilities:

- 1 To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
- 2 To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be - where possible and appropriate - benchmarked against other comparable institutions.
- 3 To delegate authority to the Principal, as chief executive, for the academic, corporate, financial, estate and human resource management of the institution. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Principal.
- 4 To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.

- 5 To establish processes to monitor and evaluate the performance and effectiveness of the Governing Body itself.
- 6 To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
- 7 To safeguard the good name and values of the institution.
- 8 To appoint the Principal as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
- 9 To appoint a Clerk to the Governing Body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
- 10 To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
- 11 To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.
- 12 To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
- 13 To receive assurance that adequate provision has been made for the general welfare of students.
- 14 To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
- 15 To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.

Key Individuals and Summary of Delegated Responsibilities

Governing Body

The Governing Body has determined maximum membership numbers of nineteen of whom fourteen are external independent lay members. The Governing Body comprised eighteen members on 31 July 2015 including the Principal/CEO. The Governing Body was chaired by Paul Taiano throughout the year. Members of the Governing Body, excluding the Chairman, may serve for a maximum of three terms of three years. Exceptionally, a Governor may serve for a fourth term on a resolution of the majority of Governors. Currently the Chairman of Governors may serve for three terms of four years (a maximum of 12 years as Chair).

The matters specially reserved to the Governors for decision are set out in the Articles of Association and include: the determination of the educational character of the institution; the approval of annual estimates of 'income and expenditure'; ensuring the solvency of the institution and the safeguarding of its assets and for maintaining a sound system of internal control. The Governing Body held six meetings during the academic year 2014/15, including three strategic topic meetings.

The Governing Body undertakes periodic Effectiveness Reviews. A review was conducted in 2014/15 and formed part of the review of application of the new Higher Education Code of Governance. The Effectiveness review resulted in the production of an Action Plan to enhance governance arrangements and demonstrate evidence in the application of the Code. The implementation of the Action Plan is monitored by the Nominations Committee, the Audit Committee and the Internal Auditors. A further review in relation to Governing Body committee meeting effectiveness was undertaken during the year and a Skills Audit has been undertaken to inform the priorities for the recent appointments to vacant positions on the Board.

Governing Body Committees

The Governing Body has established several committees including a Finance and Employment Committee, an Audit Committee, and a Nominations Committee. Committees in relation to Remuneration and Investment have also been set up as sub-committees of the Finance and Employment Committee.

All Governing Body committees are formally constituted with terms of reference and comprise mainly independent members of the Governors, one of whom is Chair. The Governing Body has also re-established a Search Committee (Chair of Governors) which is chaired by the University of London Co-opted member and also includes staff and student Governors.

The Finance and Employment Committee meets at least four times a year, and is chaired by Charles Perrin CBE. The committee inter alia recommends to the Governors annual revenue and capital budgets; monitors performance in relation to the approved budgets; reviews the management of significant risks and makes recommendations to the Board on the Framework for the Pay and Conditions of Staff. The Remuneration Committee is a sub-committee of the Finance and Employment Committee and is chaired by Paul Taiano. The Remuneration Committee meets at least once a year to determine the annual remuneration of senior post holders. The Investment Committee is a sub-committee of the Finance and Employment Committee and is chaired by Charles Perrin CBE. The Investment Committee meets at least two times a year to review investment strategy and policy and to monitor and review investment performance. A Phase 5 Development Project Planning Group has also been established to oversee the Phase 5 capital development programme. The Project Board is chaired by Professor Gavin Henderson CBE and comprises members of the Executive alongside Governors, and reports to the Board of Governors through the Finance and Employment Committee. The Project Board meets as required to oversee strategic issues in relation to the project and to make recommendations in relation to project scope, procurement, programme, risk and budget.

The Audit Committee meets at least three times a year, with the External Auditors, to discuss audit findings, and with the Internal Auditors, to consider detailed internal audit reports and recommendations for the improvement of Central's systems of internal control, together with management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect institutional business, and monitors adherence with the regulatory requirements. It reviews

the institution's annual financial statements together with accounting policies and keeps under review: the effectiveness of health, safety and wellbeing management; risk management control and governance arrangements; value for money; and quality assurance of data. The Audit Committee is chaired by Anthony Blackstock. Whilst senior executives are invited to attend meetings of the Audit Committee, they are not members of the committee, and the committee meets with the external and internal auditors at least once a year without any officers present for independent discussions. Charles Lowe served as co-opted member on the Audit Committee throughout the year under review.

The Nominations Committee meets at least twice a year and is chaired by Paul Taiano. The Committee keeps under review the balance of skills and experience needs of the Board; prepares written descriptions of the role and capabilities required for new members; considers arrangements for the identification and selection of new members; and makes recommendations for appointments to the Board. The implementation of the Action Plan stemming from the latest Effectiveness Review, is being monitored by the Nominations Committee. Lee Menzies served as a co-opted member on the Nominations Committee throughout the year under review.

Academic Board

Subject to the overall responsibility of the Governing Body, the Academic Board has oversight of the academic affairs of the institution and draws its membership entirely from the staff and the students of the institution. A member of the Governing Body is invited to meetings as an observer. Academic Board is particularly concerned with general issues relating to the learning and teaching and research work of the institution. The Academic Board is chaired by the Principal.

Principal / Chief Executive Officer (CEO)

Professor Gavin Henderson CBE held the offices of Principal and Chief Executive Officer.

The Principal and Chief Executive Officer is Accountable Officer and as such may be called to appear at the Public Accounts Committee.

Articles of Association

The Articles of Association vest the following delegated powers to the Principal/CEO:

- a) the organisation, direction and management of the institution and leadership of staff;
- b) the appointment, assignment, grading, appraisal, suspension, dismissal, and determination - within the framework set by the Governors - of the pay and conditions of service of staff other than the holders of senior designated posts;
- c) the determination - after consultation with the Academic Board - of the institution's academic activities, and for the determination of its other activities;
- d) the maintenance of student discipline and - within the rules and procedures of the Articles of Association - for the suspension or expulsion of students on disciplinary grounds and for implementing decisions to expel students on academic grounds;
- e) the implementation of decisions of the Governors; and
- f) the current Articles of Association were confirmed by Privy Council and the Charity Commission in February 2014 and duly registered with Companies House.

Accountable Officer

As Accountable Officer, the Principal/CEO has delegated powers for the management of budgets and resources within estimates approved by the Board subject to compliance with the Financial Memorandum and Financial Regulations.

The Principal/CEO is authorised to delegate powers to Senior Staff within the limits of his own delegated authority, to exercise concurrently all powers delegated to Senior Staff and generally supervise the exercise of delegated powers by Senior Staff.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

KPMG LLP was re-appointed as Central's auditors at the Annual General Meeting of the Members on 13 July 2015.

GOVERNING BODY'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

In accordance with Company law and the Articles of Association, the Governors are required to present audited financial statements for each financial year. Under that law the Governors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practices).

The Governing Body is responsible for preparing the Strategic report and the financial statements in accordance with applicable law and regulations.

The Royal Central School of Speech and Drama is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Institution and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability (MAA) agreed between the Higher Education Funding Council for England (HEFCE) and The Royal Central School of Speech and Drama, and the HEFCE annual accounts direction, Central, through its accountable officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the institution and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Governors have to ensure that:

- a) suitable accounting policies are selected and applied consistently;
- b) judgements and estimates are made that are reasonable and prudent;
- c) applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- d) financial statements are prepared on the going concern basis unless it is inappropriate to presume that the institution will continue in operation.

The Governors are satisfied that the institution has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Governing Body has taken reasonable steps to:

- a) ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- b) ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- c) safeguard the assets of The Royal Central School of Speech and Drama and to prevent and detect fraud; and
- d) secure the economical, efficient and effective management of the institution's resources and expenditure.

The key elements of the institution's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- a) clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- b) a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- c) regular variance reporting and updates of forecast outturns;
- d) clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governors;
- e) comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Governors; and
- f) a professional Internal Audit team whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of the Governors, has reviewed the effectiveness of the institution's system of internal control. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Publication of the Financial Statements on The Royal Central School of Speech and Drama Website

The maintenance and integrity of The Royal Central School of Speech and Drama website is the responsibility of the Governing Body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Summary Review of Controls

The institution's Governing Body is responsible for the institution's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Governing Body is of the view that there is an on-going process for identifying, evaluating and managing the institution's significant risks, that it has been in place for the year ended 31 July 2015, and up to the date of approval of the annual report and financial statements, that it is regularly reviewed by the Governing Body and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

A Risk Management Strategy and Policy is in place, which defines the institution's approach to risk management. Risks are identified for each strategic aim and scored as to impact and likelihood using a defined scale. Measures to control each risk have been defined and risk scores are kept regularly under review. Risk management procedures are reviewed annually.

The following provides a summary of arrangements in place:

- a) the Governing Body meets at regular intervals to consider the plans and strategic direction of the institution;
- b) the Governing Body receives periodic reports from the Chair of the Audit Committee concerning internal control and requires regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- c) the Finance and Employment Committee reviews the management of risks termly and reports to the full Board on the management of significant risks;
- d) the Governing Body undertakes an annual review of the significant risks facing the institution;
- e) the Audit Committee provides oversight of risk management procedures and receives regular reports from the head of internal audit, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement;
- f) regular discussions are held at Executive and Board level to identify and keep up to date the record of risks facing the institution;
- g) a system of key performance and risk indicators has been developed;
- h) a robust risk prioritisation methodology based on risk ranking has been established;
- i) an organisation-wide risk register is maintained;
- j) the Executive Management Group reviews the key strategic risks at each meeting and undertakes a review of departmental operational risk registers termly. Feedback and training is provided on an on-going basis; and
- k) reports are received from budget holders, department heads and project managers on internal control activities.

The Governing Body review of the effectiveness of the system of internal control is informed by the School appointed internal audit firm "Grant Thornton", which operates to standards defined in the HEFCE Audit Code of Practice and was last reviewed for effectiveness by the HEFCE Audit Service in February 2015. It is also informed by the work of executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Conclusion

The Governing Body is of the view that the process for identifying, evaluating and managing significant risks has been in place and operated effectively for the year ended 31 July 2015 and up to the date of approval of the annual report and financial statements.

Paul Taiano
Chair of Governors
23 November 2015

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF THE ROYAL CENTRAL SCHOOL OF SPEECH AND DRAMA

We have audited the Group and School financial statements (the ‘‘financial statements’’) of The Royal Central School of Speech and Drama (‘‘Central’’) for the year ended 31 July 2015, which comprise the Consolidated Income and Expenditure Account, the Consolidated and Central Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, in accordance with the Charters and Statutes of Central and section 124B of the Education Reform Act 1988 and to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to it in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Governing Body and auditor

As explained more fully in the Statement of Responsibilities of Governing Body set out on page 34 the Governing Body (whose members are also the directors of the company for the purposes of company law) is responsible for the preparation of financial statements, which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group’s and Central’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Operating Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and Central as at 31 July 2015 and of the Group’s income and expenditure, recognised gains and losses and cash flows for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education;
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group or Central for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements* have been met.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the Statement of Corporate Governance (included as part of the Corporate Governance Statement and Internal Control) is consistent with our knowledge of the Group and Central.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the School, or returns adequate for our audit have not been received from branches not visited by us; or
- the School financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Fleur Nieboer (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London E14 5GL
November 2015

GROUP INCOME AND EXPENDITURE ACCOUNT

Year ended 31 July 2015

INCOME	Notes	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Funding body grants	2	3,637	4,276
Tuition fees and education contracts	3	10,145	8,721
Research grants and contracts	4	79	270
Other income	5	1,220	1,066
Endowment and investment income	6	68	54
Total income		15,149	14,387
EXPENDITURE			
Staff costs	7	8,690	8,601
Other operating expenses	8	4,697	5,095
Depreciation	12	606	599
Interest and other finance costs	10	48	105
Total expenditure	9	14,041	14,400
Surplus/(Deficit) on continuing operations after depreciation of tangible fixed assets at valuation		1,108	(13)
Transfer (to) accumulated income in endowment funds	21	(2)	(8)
Surplus/ (Deficit) for the year retained within general reserves		1,106	(21)

All items of income and expenditure arise from continuing operations.

There is no difference between the profit on an historical cost basis.

Pages 45 to 73 form part of these financial statements.

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 July 2015

	Notes	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Surplus/ (Deficit) on continuing operations after depreciation of tangible fixed assets at valuation			
Unrealised (losses)/ gains on investments	22	1,108 (7)	(13) 4
Increase / (Decrease) in endowment assets	21	27	9
Actuarial (losses) / gains in respect of pension schemes	35	(1,368)	(514)
		<u>(240)</u>	<u>(514)</u>
Total recognised(losses) / gains relating to the year		<u>(240)</u>	<u>(514)</u>
Reconciliation			
Opening reserves and endowments		10,209	10,854
Prior year reserves adjustment		-	(128)
Total recognised (losses) for the year		(240)	(514)
		<u>9,969</u>	<u>10,209</u>
Closing reserves and endowments		<u>9,969</u>	<u>10,209</u>

BALANCE SHEET AS AT 31 July

	Notes	2015		2014	
		Group £000	Central £000	Group £000	Central £000
Fixed assets					
Tangible assets	12	15,584	15,582	15,129	15,127
Investments	13	611	611	391	391
		<u>16,195</u>	<u>16,193</u>	<u>15,520</u>	<u>15,518</u>
Endowment assets	14	<u>374</u>	<u>374</u>	<u>345</u>	<u>345</u>
Current assets					
Stocks		1	-	2	-
Debtors	15	261	309	318	341
Investments	16	6,124	6,124	7,099	7,099
Cash at bank and in hand		4,182	4,152	2,575	2,537
		<u>10,568</u>	<u>10,585</u>	<u>9,994</u>	<u>9,977</u>
Less: creditors - amounts falling due within one year	17	(1,978)	(1,948)	(1,620)	(1,557)
Net current assets		<u>8,590</u>	<u>8,637</u>	<u>8,374</u>	<u>8,420</u>
Total assets less current liabilities		25,159	25,204	24,239	24,283
Less: creditors - amounts falling due after more than one year	18	(446)	(446)	(542)	(542)
Less: provisions for liabilities	19	(265)	(265)	(272)	(272)
Net assets excluding pension liability		24,448	24,493	23,425	23,469
Net pension liability	35	(4,376)	(4,376)	(2,828)	(2,828)
Net assets including pension liability		<u>20,072</u>	<u>20,117</u>	<u>20,597</u>	<u>20,641</u>

BALANCE SHEET AS AT 31 JULY (continued)

	Notes	2015		2014	
		Group £000	Central £000	Group £000	Central £000
Deferred capital grants	20	10,103	10,103	10,388	10,388
Endowments	21				
Expendable		22	22	22	22
Permanent		352	352	323	323
		<u>374</u>	<u>374</u>	<u>345</u>	<u>345</u>
Reserves	22				
Income and expenditure account excluding pension reserve		12,708	12,753	11,422	11,466
Pension reserve (deficit)		<u>(4,376)</u>	<u>(4,376)</u>	<u>(2,828)</u>	<u>(2,828)</u>
Income and expenditure account including pension reserve		8,332	8,377	8,594	8,638
Revaluation reserve	22	<u>1,263</u>	<u>1,263</u>	<u>1,270</u>	<u>1,270</u>
Total reserves		<u>9,595</u>	<u>9,640</u>	<u>9,864</u>	<u>9,908</u>
Reserves and endowments		<u>9,969</u>	<u>10,014</u>	<u>10,209</u>	<u>10,253</u>
TOTAL FUNDS		<u><u>20,072</u></u>	<u><u>20,117</u></u>	<u><u>20,597</u></u>	<u><u>20,641</u></u>

The financial statements were approved by the Governing Body on 23 November 2015 and were signed on its behalf on that date by:

Paul Taiano
Chairman of Governors

Professor Gavin Henderson
Principal / Chief Executive

Deborah Scully
Company Secretary

GROUP CASH FLOW STATEMENT

Year ended 31 July 2015

	Notes	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Net cash inflow from operating activities	23	1,855	41
Returns on investments and servicing of finance	24	34	15
Capital expenditure and financial investment	25	(1,157)	(283)
Management of liquid resources	26	975	(525)
Financing	27	(90)	(86)
Increase / (Decrease) in cash		<u>1,617</u>	<u>(838)</u>

Reconciliation of net cash flow to movement in net funds

	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Increase / (Decrease) in cash in the year	1,617	(838)
Change in short term deposits	(975)	525
Change in debt	90	86
Change in net funds	732	(227)
Net funds at 1 August	9,223	9,450
Net funds at 31 July	<u>9,955</u>	<u>9,223</u>

NOTES TO THE ACCOUNTS

1 Statement of Principal Accounting Policies and Estimation Techniques

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards.

Going Concern

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets. Central meets its day-to-day working capital requirements from the funding and fee income it receives and also, if needed, from surplus reserves. The current economic environment and changed funding rules create uncertainty over the future level of student demand and student fee income and the level of government funding.

Central's forecasts and projections, taking account of reasonably possible changes in funding and costs, show that Central has adequate resources to continue in operational existence for the foreseeable future. Thus Central continues to adopt the going concern basis in preparing its financial statements.

Basis of Consolidation

Central has taken advantage of the exemption in S. 408 of the Companies Act 2006 not to present its own Income and Expenditure Account.

The Group financial statements include Central (the parent company, also referred to as the School) and its subsidiary undertaking, CSSD Enterprises Limited. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the students union have not been consolidated because Central does not control these activities.

Recognition of Income and Expenditure

Research income and specific purpose non-recurrent grants from Funding Councils or other bodies are recognised to the extent of expenditure incurred, the balance being held as Deferred Income within Creditors: Amounts Falling Due Within One Year. Student fees received in advance of the academic year are held as Accruals and Deferred Income within Creditors: Amounts falling due within one year.

Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the asset. All income from other sources is credited to the income and expenditure account on a receivable basis.

Income from endowments is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments. Recurrent grants from Funding Councils are recognised in the year in which they are receivable.

Accounting for retirement benefits

Central contributes to the London Pensions Fund Authority Pension Fund (LPFA) and the Teachers' Pension Scheme (TPS). Both schemes are defined benefit schemes but the TPS scheme is a multi-employer scheme and it is not possible to identify the assets of the scheme which are attributable to Central. In accordance with FRS17 this scheme is accounted for on a defined contribution basis and contributions to this scheme are included as expenditure in the period in which they are payable. Central is able to identify its share of assets and liabilities of the LPFA scheme and thus Central fully adopts FRS 17 "Retirement Benefits".

The schemes are statutory, contributory, defined benefit schemes, and are contracted out of the State Earnings-Related Pension Scheme.

The Funds are valued every three years (LPFA) and every four years (TPS) by actuaries using the aggregate method, the rates of contribution payable being determined on the advice of the actuaries. Pension costs are assessed on the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which Central benefits from the employees' services. Variations from regular costs are spread over the expected average remaining working lifetime of members of the schemes after making allowances for future withdrawals.

Central continues to make a small and diminishing number of supplementation payments to retired members and dependants of former members of the Central School of Speech Training and Dramatic Art Pension Fund.

Leased Assets

Assets obtained under finance leases are included in fixed assets at an amount equal to the cost at which the assets would have been purchased, and depreciated over the period of the lease on a straight-line basis. The related lease obligations, excluding finance charges allocated to future periods, are included in creditors. Finance charges are amortised over the life of the lease on the actuarial basis. Rental costs under operating leases are charged to the income and expenditure account as incurred.

Land and Buildings

Land and buildings are stated at cost. Leasehold and Freehold land is not depreciated as it is considered to have an indefinite useful life. Brick-built buildings are depreciated over their expected useful lives of 50 years, and prefabricated and wooden buildings over 10 years. Alterations and improvements to buildings are depreciated over the expected life of the alterations.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected life of the buildings. Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs to 31 July. They are not depreciated until brought into use.

In adopting Financial Reporting Standard 15 with effect from 1 August 1999, Central has followed the transitional provisions of the FRS available in the first year of adoption, and

retained the book values of land and buildings last re-valued on 1 August 1989, and not re-valued since that date.

Equipment

Equipment costing more than £1,000 is capitalised. Other items are written off in the year of acquisition.

Capital equipment is depreciated over its expected useful life on a straight-line basis as follows:

Computer equipment	- 3 years
Lighting equipment	- 5 years
Management information systems	- 5 years
Telephone equipment	- 7 years
Other equipment	- 10 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure over the expected useful economic life of the related equipment.

Listed Investments

Listed investments are shown in the balance sheet at market value. Investment income arising from these investments is dealt with through the income and expenditure account, as are profits or losses arising from the sale of these investments.

Stocks

Bar stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Although Central maintains small stocks of stationery and consumables, these are charged to expenditure in the year of purchase, and have not been included in the Balance Sheet.

Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise term deposits held as part of Central's treasury management activities.

Maintenance of Premises

The cost of planned and routine corrective maintenance is charged to the income and expenditure account as incurred.

Taxation Status

Central is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly

Central is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied exclusively to charitable purposes. Central generally suffers the cost of irrecoverable VAT, as the supply of education and of research by eligible bodies is exempt from VAT under Group 8, Schedule 9, Value Added Tax Act, 1994. As an exempt charity, Central does benefit from some zero rating reliefs. Central's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions

Provisions are recognised when Central has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Accounting for charitable donations

Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment funds

Where charitable donations are to be retained for the benefit of Central as specified by the donors, these are accounted for as endowments. There are two main types:

1. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and Central can convert the donated sum into income.
2. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

Gifts in kind, including donated tangible fixed assets

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

Staff costs

Staff costs cover all staff for whom Central is liable to pay Class 1 National Insurance contributions and/or who have a contract of employment with Central, and include any severance costs.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates at the date of the Balance Sheet. The resulting exchange differences are dealt with in the Income and Expenditure Account for the financial year.

2 Funding Body Grants

	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Recurrent Grant		
HEFCE - Teaching	2,838	3,382
HEFCE - Research	337	388
Higher Education Funding Council for England	<u>3,175</u>	<u>3,770</u>
TOTAL RECURRENT GRANTS	<u>3,175</u>	<u>3,770</u>
Specific Grants (TA & HEFCE)		
SEN	-	9
Inherited Staff Liabilities	24	23
National Scholarship Programme	26	60
Leading Transformational Change	-	10
	<u>50</u>	<u>102</u>
TOTAL SPECIFIC GRANTS	50	102
Deferred capital grants released in the year:		
HEFCE - Buildings	410	403
HEFCE - Equipment	2	1
TOTAL DEFERRED CAPITAL GRANTS (Note 20)	<u>412</u>	<u>404</u>
TOTAL FUNDING COUNCIL GRANTS	<u><u>3,637</u></u>	<u><u>4,276</u></u>

3 Tuition Fees and Education Contracts

	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Full-time Undergraduate - Home and EU Fees	5,274	4,002
- International and Island* Fees	893	922
Full-time Postgraduate - Home and EU Fees	1,548	1,527
- International and Island* Fees	1,426	1,359
Part-time Postgraduate - Home and EU Fees	223	225
- International and Island* Fees	7	7
Short course and other fees	774	679
Total fees paid by, or on behalf of, individual students	10,145	8,721

* Island Fees include Channel Islands and the Isle of Man

4 Research Grants and Contracts

Arts and Humanities Research Council	50	194
Other	29	76
	79	270

5 Other Income

Catering and conferences	277	285
Promotions and events	40	41
External services	116	140
Training services	190	128
Rental income	45	59
Theatre receipts	38	37
Donations	412	258
Shop and photocopy sales	21	22
Released from deferred capital grants (Note 20)	6	6
Other income	75	90
	1,220	1,066

6 Endowment and Investment Income

	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Income from permanent endowments	8	9
Income from investments	15	15
Bank interest	45	55
Foreign currency translation (losses) / gains	-	(25)
	68	54

7 Staff Costs

	Year Ended 31 July 2015 FTE	Year Ended 31 July 2014 FTE
Average staff numbers, expressed as full-time equivalents (FTE):		
Teaching	111	125
Teaching Support	60	50
Central Admin & services	34	34
Staff and student facilities	5	7
Premises	5	6
	215	222

The staff FTE classifications have been aligned with HESA categories.

	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Staff costs for the above:		
Salaries	7,080	7,091
Social security costs	580	591
Other pension costs (Note 35)	1,030	919
Total	8,690	8,601

Directors Emoluments

Aggregate emoluments of the 18 Directors (2014: 18) who served during the year:

Salaries	337	319
Benefits in kind	2	1
Pension contributions	41	36
Total	380	356

The Directors' emoluments include the Principal and three other executive directors' emoluments who are employed by the School.

None of the non-executive directors received any emoluments however, during the year one (2014: one) non-executive director received reimbursement of expenses of £403 (2014: £93).

7 Staff Costs (continued)

Emoluments of the Chair of Governors

The Chair of Governors received no emoluments during the years ended 31 July 2015 and 31 July 2014.

Emoluments of the Principal	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Salary	173	170
Benefits in kind	2	1
	<u>175</u>	<u>171</u>
Pension contributions	26	24
Total	<u><u>201</u></u>	<u><u>195</u></u>

Apart from the Principal, no other Director was paid in excess of £100,000.

Remuneration of other higher paid staff, excluding Employer's National Insurance and pension contributions	Year Ended 31 July 2015 FTE	Year Ended 31 July 2014 FTE
£100,000 - £110,000	-	1
£110,001 - £120,000	-	-
£120,001 - £130,000	1	1
	<u>1</u>	<u>2</u>

8 Other Operating Expenses

	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Auditors' remuneration (see below)	49	49
Bursaries	263	216
Catering and conferences operating expenses	297	252
Cleaning	224	245
Computer and web-site maintenance	312	376
Consumables	177	194
Furniture, fittings and equipment	79	101
Hire of facilities and equipment	70	86
Internal audit	52	24
Insurance	99	93
Legal and professional	78	88
Other expenditure	584	478
Postage, printing, stationery and periodicals	137	199
Promotions and events	344	335
Rent and rates	172	188
Repairs and general maintenance	278	322
Self-employed professionals	743	858
Staff and student travel	143	140
Staff development and staff recruitment costs	147	404
Strategic Development	13	33
Subscriptions	218	196
Utilities	218	218
	<u>4,697</u>	<u>5,095</u>

Included within audit fees (excluding VAT) above are the following amounts receivable by the external auditor:

- Statutory audit fee £34,540 (includes CSSD Enterprises)
- Audit-related assurance services £4,250 (US Loans and Teachers Pension)
- Taxation advisory service £2,000

An analysis of expenditure by activity for the year ended 31 July 2015 is shown in Note 9.

9 Analysis of Expenditure by Activity

YEAR ENDED 31 JULY 2015

<u>Departments</u>	Staff Costs £000	Other Operating Expenses £000	Depre- ciation £000	Interest Payable £000	Total £000
Teaching	4,547	1,190	4	-	5,741
Teaching Support	2,086	1,073	58	-	3,217
Central Admin & Services	1,812	1,405	314	48	3,579
Staff & student facilities	69	76	-	-	145
Premises	176	683	230	-	1,089
Residences & catering	-	270	-	-	270
Total per Income and Expenditure Account	8,690	4,697	606	48	14,041

YEAR ENDED 31 JULY 2014

<u>Departments</u>	Staff Costs £000	Other Operating Expenses £000	Depre- ciation £000	Interest Payable £000	Total £000
Teaching	4,429	1,054	4	-	5,487
Teaching Support	2,176	1,239	44	-	3,459
Central Admin & Services	1,790	1,689	321	105	3,905
Staff & student facilities	27	139	1	-	167
Premises	179	755	229	-	1,163
Residences & catering	-	219	-	-	219
Total per Income and Expenditure Account	8,601	5,095	599	105	14,400

The depreciation charge has been funded by:

	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Deferred Capital Grants released (Note 20)	418	410
General Income	188	189
	606	599

Activities are as defined in the 2015 Finance Statistics Return of the Higher Education Statistics Agency (HESA).

10 Interest and Other Finance Costs

	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
On bank loans, overdrafts and other loans repayable wholly or partly in more than five years	34	40
Net interest on pension scheme liabilities (Note 35)	14	65
	<u>48</u>	<u>105</u>

11 Taxation

The activities of the parent company are not subject to Corporation Tax. No taxation is due on the result for the year of the subsidiary company.

12 Tangible Assets

	Group				
	Freehold Land and Buildings £000	Long Leasehold Land £000	Alterations and Improvements £000	Equipment £000	Total £000
Cost and valuation					
At 1 August 2014	17,290	650	3,395	1,591	22,926
Additions	872	-	-	188	1,060
Disposals	-	-	-	-	-
At 31 July 2015	<u>18,163</u>	<u>650</u>	<u>3,395</u>	<u>1,779</u>	<u>23,987</u>
Depreciation					
At 1 August 2014	4,894	-	1,616	1,287	7,797
Charge for the year	316	-	200	90	606
Disposals	-	-	-	-	-
At 31 July 2015	<u>5,210</u>	<u>-</u>	<u>1,816</u>	<u>1,377</u>	<u>8,403</u>
Net book value					
At 31 July 2015	<u>12,953</u>	<u>650</u>	<u>1,579</u>	<u>402</u>	<u>15,584</u>
At 31 July 2014	<u>12,396</u>	<u>650</u>	<u>1,779</u>	<u>304</u>	<u>15,129</u>

12 Tangible Assets (continued)

	Central				
	Freehold Land and Buildings £000	Long Leasehold Land £000	Alterations and Improvements £000	Equipment £000	Total £000
Cost and valuation					
At 1 August 2014	17,290	650	3,395	1,584	22,919
Additions	872	-	-	188	1,060
At 31 July 2015	<u>18,162</u>	<u>650</u>	<u>3,395</u>	<u>1,772</u>	<u>23,979</u>
Depreciation					
At 1 August 2014	4,894	-	1,616	1,282	7,792
Charge for the year	316	-	200	89	605
At 31 July 2015	<u>5,210</u>	<u>-</u>	<u>1,816</u>	<u>1,371</u>	<u>8,397</u>
Net book value					
At 31 July 2015	<u><u>12,953</u></u>	<u><u>650</u></u>	<u><u>1,578</u></u>	<u><u>400</u></u>	<u><u>15,582</u></u>
At 31 July 2014	<u><u>12,396</u></u>	<u><u>650</u></u>	<u><u>1,779</u></u>	<u><u>302</u></u>	<u><u>15,127</u></u>

Buildings and alterations and improvements with a net book value of £12,024,000 and cost of £18,272,000 have been funded from Treasury sources. Should these buildings be sold, Central would have either to surrender the appropriate proportion of proceeds to the Treasury, or use them in accordance with the Financial Memorandum of the Higher Education Funding Council for England.

In adopting Financial Reporting Standard 15 with effect from 1 August 1999, Central has followed the transitional provisions of the FRS available in the first year of adoption and retained the book values of land and buildings last re-valued on 1 August 1989, and not updated since that date.

Long Leasehold (999 year lease from 1989) and Freehold land is not depreciated as it is considered to have an indefinite useful life.

13 Investments

	Group and Central	
	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Listed investments		
Balance at 1 August	391	387
Additions	227	-
Increase / (Decrease) on revaluation	(7)	4
Balance at 31 July	<u>611</u>	<u>391</u>
Listed investments comprise:		
Equities (listed unit trusts)	611	391
Total investments at 31 July	<u>611</u>	<u>391</u>
Equities (listed) at cost at 31 July	<u>508</u>	<u>281</u>
	Central 2015 £	Central 2014 £
Investment in subsidiary company at cost		
Subsidiary company	<u>1</u>	<u>1</u>

Central owns 100% of the issued share capital of CSSD Enterprises Limited which is registered in England.

The results of the group consolidate those of CSSD Enterprises Limited.

	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
The results of the subsidiary are as follows:		
Turnover	90	91
Cost of sales	(34)	(47)
Gross profit	<u>56</u>	<u>44</u>
Net operating expenses	(57)	(72)
Operating (Loss) / Profit	<u>(1)</u>	<u>(28)</u>
(Loss) / Profit on ordinary activities before taxation	(1)	(28)
Transferred to Parent Undertaking	-	-
(Loss) for the financial year	<u>(1)</u>	<u>(28)</u>

14 Endowment Asset Investments

	<u>Group and Central</u>	
	<u>Year Ended 31 July 2015 £000</u>	<u>Year Ended 31 July 2014 £000</u>
Balance at 1 August	345	331
Increase / (Decrease) on revaluation	1	6
Increase / (Decrease) in cash balances (note 21)	28	8
Balance at 31 July	<u><u>374</u></u>	<u><u>345</u></u>
Endowment asset investments comprise:		
Equities (listed unit trusts)	183	164
Bank balances	191	181
Total endowment asset investments at 31 July	<u><u>374</u></u>	<u><u>345</u></u>
Fixed interest stocks and equities at cost at 31 July	<u><u>170</u></u>	<u><u>142</u></u>

15 Debtors

	Group 2015 £000	Central 2015 £000	Group 2014 £000	Central 2014 £000
Amounts falling due within one year:				
Debtors	195	195	203	203
Amounts owed by subsidiary undertaking	-	48	-	23
Prepayments and accrued income	66	66	115	115
	<u>261</u>	<u>309</u>	<u>318</u>	<u>341</u>

16 Current Asset Investments

	Group and Central	
	2015 £000	2014 £000
Deposits maturing in one year or less	<u>6,123</u>	<u>7,099</u>

17 Creditors: amounts falling due within one year

	Group 2015 £000	Central 2015 £000	Group 2014 £000	Central 2014 £000
Mortgages and loans (Note 18)	96	96	90	90
Creditors	92	92	177	114
Social security and other taxation	180	180	198	198
Accruals and deferred income	1,610	1,580	1,155	1,155
	<u>1,978</u>	<u>1,948</u>	<u>1,620</u>	<u>1,557</u>

18 Creditors: amounts falling due after more than one year

	Group and Central	
	2015	2014
	£000	£000
Secured loans payable by 2020	446	542

Analysis of secured and unsecured loans:

	Group and Central	
	2015	2014
	£000	£000
Due between one and two years	101	96
Due between two and five years	345	325
Due in five years or more	-	121
Total	446	542

Summary of borrowings at 31 July 2015:

Lender	Type	Date	Term	Interest Rates	Due Within One Year £000	Due in More Than One Year £000
Lloyds TSB	Secured Term Loan	July 2005	15 years	Fixed at 5.87%	96	446
					96	446

Secured Loan - Lloyds TSB Bank plc

The loan, made to Central in July 2005 to part-finance the Phase 4 Building Development at 64 Eton Avenue London NW3, is secured by the Bank holding a first legal charge over freehold property at the same address.

The loan is repayable over fifteen years, subject to annual review by the Bank and the Bank's right to immediate repayment on demand in stated circumstances. Interest is payable on the loan at a fixed rate of 5.87%. The loan is repayable by 2020.

19 Provisions for Liabilities

	Pension Costs £000
At 1 August 2014	272
Recognised in the year	(7)
As at 31 July 2015	265

20 Deferred Capital Grants

	Group and Central		
	HEFCE £000	Other Grants £000	Total £000
At 1 August 2014			
Buildings	10,186	196	10,382
Equipment	6	-	6
Total	10,192	196	10,388
Grants Received			
Buildings	133	-	133
Total	133	-	133
Released to Income and Expenditure			
Buildings	(410)	(6)	(416)
Equipment	(2)	-	(2)
Total	(412)	(6)	(418)
At 31 July 2015			
Buildings	9,911	190	10,101
Equipment	2	-	2
Total	9,913	190	10,103

21 Endowments

	Group and Central			
	Restricted Expendable £000	Restricted Permanent £000	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Balances at 1 August				
Capital	11	282	293	293
Accumulated income	11	41	52	38
	22	323	345	331
New endowment	-	28	28	-
Investment income	-	7	7	9
Expenditure	-	(7)	(7)	(1)
	-	28	28	8
Increase / (decrease) in market value of investments	-	1	1	6
At 31 July	22	352	374	345
Represented by:				
Capital	11	282	293	293
New Endowment	-	28	28	-
Accumulated income	11	42	53	52
	22	352	374	345

21 Endowments (continued)

	Capital value at 31 July 2015 £	New Endowment £	Opening accumulated income £	Investment income £	Expenditure £	Closing accumulated income £	Year Rec'd
Walter Johnstone	-	27,777		581	(683)	(102)	2015
Nellie Watson	131,280		27,116	5,422	(5,250)	27,288	2012
Robert Tunstall Memorial Award	2,500		482	212	(400)	294	2005
Milner Scholarship	129,870		2,927	644	-	3,571	1998
Gary Bond Memorial Fund	12,475		2,698	1,028	(600)	3,126	1997
Jane Cowell Memorial Fund	5,136		3,447	39	-	3,486	1989
Clive Brook Prize Fund	1,000		4,001	20	-	4,021	1974
	<u>282,261</u>	<u>27,777</u>	<u>40,671</u>	<u>7,946</u>	<u>(6,933)</u>	<u>41,684</u>	

Walter Johnstone

This restricted permanent endowment is used to fund an annual prize to a student.

Nellie Watson

This restricted permanent endowment is used to fund awards to performing arts students needing financial assistance with living costs, books or equipment.

Robert Tunstall Memorial Award

This restricted permanent endowment is used to fund an annual award for the Second Year BA Acting student judged to be the most promising verse speaker.

Milner Scholarship

This restricted permanent endowment is used to fund awards to Education students needing financial assistance with living costs, books or equipment.

Gary Bond Memorial Fund

This restricted permanent endowment is used to fund an annual award for any Acting student facing exceptional necessity.

Jane Cowell Memorial Fund

This restricted permanent endowment is used to fund an annual prize to a final year Acting student.

Clive Brook Prize Fund

This restricted permanent endowment is used to fund an annual prize to a student.

Due to the historic low level of investment returns, care was taken in the determination of awards to maintain each fund's value.

22 Reserves

	Income and Expenditure Account Reserve £000	Pension Reserve £000	Revaluation Reserve £000	Total £000
Opening reserves at 1 August 2014	11,422	(2,828)	1,270	9,864
Surplus for the year	1,106	-	-	1,106
Transfer between reserves: pension scheme	180	(180)	-	-
Actuarial loss in respect of pension scheme		(1,368)	-	(1,368)
Revaluations in the year	-	-	(7)	(7)
Closing reserves at 31 July 2015	<u>12,708</u>	<u>(4,376)</u>	<u>1,263</u>	<u>9,595</u>
	Income and Expenditure Account Reserve £000	Pension Reserve £000	Revaluation Reserve £000	Total £000
Opening reserves at 1 August 2013	11,232	(2,103)	1,266	10,395
Surplus retained for the year	(21)	-	-	(21)
Transfer between reserves: pension scheme	211	(211)	-	-
Actuarial loss in respect of pension scheme		(514)	-	(514)
Revaluations in the year	-	-	4	4
Closing reserves at 31 July 2014	<u>11,422</u>	<u>(2,828)</u>	<u>1,270</u>	<u>9,864</u>

The revaluation reserve comprises unrealised gains on freehold land at the Swiss Cottage campus and on equity based investments.

23 Reconciliation of surplus before tax to net cash inflow from operating activities

	Note	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
(Deficit)/Surplus after depreciation of tangible fixed assets at valuation		1,108	(13)
Depreciation	12	606	599
Loss on disposal of fixed assets		-	-
Deferred capital grants released to income	20	(418)	(410)
Investment income	6	(67)	(78)
Interest payable		48	71
Pension cost less contributions payable		180	211
(Increase) /decrease in debtors excluding bank interest		46	-
Increase /(decrease) in creditors excluding loans and overdrafts		352	(339)
Net cash inflow from operating activities		1,855	41

24 Returns on investments and servicing of finance

	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Income from endowments	8	9
Income from investments	15	15
Other interest received	45	59
Realised foreign currency translation(losses)	-	(25)
Interest paid	(34)	(43)
	34	15

25 Capital expenditure and financial investment

	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Payments made to acquire fixed assets	(1,035)	(355)
Payment to acquire investments	(227)	-
Payment to acquire endowments	(28)	-
Deferred capital grants received	133	72
	(1,157)	(283)

26 Management of liquid resources

	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Transfer (to) / from deposits	975	(525)

27 Financing

	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Repayments of amounts borrowed	(90)	(86)

28 Analysis of changes in net funds

	At 31 July 2014 £000	Cash Flows £000	Other Non-Cash Changes £000	At 31 July 2015 £000
Cash at bank and in hand:				
Endowment assets (Note 14)	181	10	-	191
Other	2,575	1,607	-	4,182
	<u>2,756</u>	<u>1,617</u>	<u>-</u>	<u>4,373</u>
Short term deposits	7,099	(976)	-	6,123
Debt due within one year (Note 17)	(90)	90	(96)	(96)
Debt due after one year (Note 18)	(542)	-	96	(446)
	<u>9,223</u>	<u>731</u>	<u>-</u>	<u>9,954</u>

29 Capital commitments

	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Commitments contracted at 31 July	<u>517</u>	<u>748</u>

2015 commitments relate to the Phase 5 building project development contracts which commenced in January 2014. These contracts cover stage A to E of the design to build.

30 Financial commitments

Central has an operating lease with St Peter's Church, Belsize Square London NW3 on which rent is payable from 1 August 2014 onwards. The lease expires on 1 August 2023.

31 Contingent liabilities

There were no contingent liabilities at 31 July 2015 (31 July 2014: £Nil).

32 Related party transactions

Central has transactions with a number of organisations which fall within the definition of Related Parties under FRS8 'Related Party Disclosures'. Details of transactions, where material are shown below. The details below also include contributions from individual members of the Governing Body.

In accordance with FRS8 no disclosure has been made of intra-group transactions and balances eliminated on consolidation.

	Income/ (Expenditure)		Nature of Transaction
	2015 £000	2014 £000	
CSSD Students Union	(15)	(15)	Union grant
Paul Taiano (Director)	1	1	Scholarship
Gavin Henderson (Director)	1	1	Musical and Scenography Scholarships

33 Post balance sheet events

No significant post balance sheet events have arisen since 31 July 2015.

34 Amounts disbursed as agent-access funds

	Group and Central	
	31 July 2015 £000	31 July 2014 £000
Income:		
Excess of income over expenditure brought forward	6	4
2012-13 HEFCE claw back	(1)	-
Funding Council grants	-	22
	<u>5</u>	<u>26</u>
Expenditure:		
Disbursed to students	(5)	(20)
Balance carried forward	<u><u>-</u></u>	<u><u>6</u></u>

Funding Council grants are available solely to assist students; Central acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

35 Pension Schemes

The two principal pension schemes for Central's staff are the Teachers' Pension Scheme (TPS) and the London Pensions Fund Authority Pension Fund (LPFA). Both schemes are defined benefit "final salary" schemes without healthcare benefits. The LPFA scheme is valued every three years by actuaries using the projected unit method, and TPS is valued every four years by actuaries using the aggregate method, the rates of contribution payable being determined on the advice of the actuaries. TPS provides defined benefits for academic and related employees, and LPFA provides similar benefits for other staff at Central. The pension costs are assessed using the projected unit method.

The total pension cost for Central was:

	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
Teachers' Pension Scheme : contributions paid		
Contributions paid	425	391
Provision for pension costs	(7)	(70)
London Pensions Fund Authority:		
Current service cost	612	598
Early retirements cost	-	-
	<u>1,030</u>	<u>919</u>

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions on a 'pay-as-you-go' basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. Actuarial valuations are carried out on a notional set of investments.

The pensions cost is assessed every four years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation

31 March 2012

The following assumptions are based on an assessment of the liabilities as at 31 March 2008, with an approximate updating to 31 March 2012 to reflect known changes. The pension increase assumption as at 31 March 2012 is based on the Consumer Price Index (CPI) expectation of inflation.

Actuarial method	Projected Unit Credit Method (PUCM)
Rate of return (discount rate)	4.85%
Rate of return in excess of pension increases	2.80%
Rate of return in excess of earnings increases	0.60%
Expected return on assets	n/a

35 Pension schemes (continued)

Statement of Financial Position	31 March 2012 £billion	31 March 2011 £billion	31 March 2010 £billion	31 March 2009 £billion	31 March 2008 £billion
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	(200.6)	(192.4)	(223.9)	(168.6)	(176.5)
Deficit	(200.6)	(192.4)	(223.9)	(168.6)	(176.5)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Contribution rate	1 April 2011 to 31 March 2012	22 June 2010 to 31 March 2011	1 April 2009 to 21 June 2010
Standard contribution rate	24.7%	29.3%	32.8%
Members' contribution rate	6.4%	6.4%	6.4%
Employers' estimated share of standard contribution rate	18.3%	22.9%	26.4%

Under definitions set out in Financial Reporting Standard 17 Retirement Benefits, the TPS is a multi-employer pension scheme. Central is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, Central has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

London Pensions Fund Authority (LPFA)

A qualified independent actuary carried out a full actuarial valuation of the fund at 31 March 2013 and estimated whole fund returns for the period to 31 July 2014. The major assumptions used by the actuary were:

	31 July 2015		31 July 2014		31 July 2013	
	%pa	Real	%pa	Real	%pa	Real
RPI increases	3.6%	-	3.5%	-	3.4%	-
CPI Increases	2.7%	(0.9%)	2.7%	(0.8%)	2.6%	(0.8%)
Salary increases	4.5%	0.9%	4.5%	1.0%	4.3%	0.9%
Pension increases	2.7%	(0.9%)	2.7%	(0.8%)	2.6%	(0.8%)
Discount rate	3.8%	0.2%	4.3%	0.8%	4.8%	1.4%

The major categories of fund assets as a percentage of total fund assets were:

	2015	2014
Equities	44.0%	44.0%
Target return portfolio	19.0%	29.0%
Alternative assets	n/a	n/a
Infrastructure	5.0%	3.0%
Commodities	0.0%	1.0%
Properties	3.0%	3.0%
Cash	13.0%	14.0%
LDI/Cashflow matching	14.0%	6.0%

35 Pension schemes (continued)

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	<u>2015</u>	<u>2014</u>
Retiring today:		
Males	22.3	22.2
Females	25.4	25.3
Retiring in 20 years:		
Males	24.7	24.5
Females	27.6	27.5

	<u>2015 Fund Value £000</u>	<u>2014 Fund Value £000</u>	<u>2013 Fund Value £000</u>
Equities	3,597	3,176	3,131
Target return portfolio	1,580	2,067	1,932
Alternative assets			999
Infrastructure	437	241	
Commodities	37	77	
Properties	255	198	
Cash	1,050	1,000	67
LDI/Cashflow matching	1,176	441	533
	<u>8,132</u>	<u>7,200</u>	<u>6,662</u>

The following amounts at 31 July 2015 were measured in accordance with the requirements of FRS 17:

Analysis of the amounts shown in the balance sheet	<u>31 July 2015 £000</u>	<u>31 July 2014 £000</u>	<u>31 July 2013 £000</u>	<u>31 July 2012 £000</u>	<u>31 July 2011 £000</u>
Central's estimated assets share	8,132	7,200	6,662	5,278	4,909
Present value of scheme liabilities	(12,508)	(10,028)	(8,765)	(8,209)	(6,628)
Deficit in the scheme - net pension liability	<u>(4,376)</u>	<u>(2,828)</u>	<u>(2,103)</u>	<u>(2,931)</u>	<u>(1,719)</u>
Analysis of the amount charged to staff costs within operating surplus				<u>31 July 2015 £000</u>	<u>31 July 2014 £000</u>
Current service cost				599	577
Total operating charge				<u>599</u>	<u>577</u>

35 Pension schemes (continued)

Analysis of the amount that is credited to other finance income / charged to interest payable	31 July 2015 £000	31 July 2014 £000
Expected return on pension scheme assets	434	369
Interest on pension scheme liabilities	(448)	(434)
Losses on curtailment and settlements	-	-
Net (charge) / return	<u>(14)</u>	<u>(65)</u>
Analysis of the amount that would be recognised in the statement of total recognised gains and losses (STRGL)	31 July 2015 £000	31 July 2014 £000
Actual return less expected return on pension scheme assets	(108)	(254)
Experience gains / (losses)	-	989
Changes in assumptions underlying the present value of the scheme liabilities	(1,260)	(1,249)
Actuarial (losses) / gains recognised in the STRGL	<u>(1,368)</u>	<u>(514)</u>
Movement in deficit in the year		
Deficit in the scheme at the beginning of the year	(2,828)	(2,103)
Movement in the year:		
Current service costs	(599)	(577)
Contributions	433	431
Other finance income	(14)	(65)
Settlements and curtailments	-	-
Actuarial gains / (losses)	(1,368)	(514)
Deficit in the scheme at the end of the year	<u>(4,376)</u>	<u>(2,828)</u>
Analysis of the movements in the present value of the scheme liabilities		
At the beginning of the year	10,028	8,765
Current service cost	599	577
Interest costs (net)	448	434
Contributions by scheme participants	206	191
Losses on curtailment	-	-
Actuarial loss	1,260	278
Benefits paid	(33)	(217)
At the end of the year	<u>12,508</u>	<u>10,028</u>
Analysis of movement in the market value of the scheme assets		
At the beginning of the year	7,200	6,662
Expected rate of return on scheme assets	434	369
Actuarial losses	(108)	(236)
Contribution by the employer	433	431
Contributions by scheme participants	206	191
Benefits paid	(33)	(217)
At the end of the year	<u>8,132</u>	<u>7,200</u>

35 Pension schemes (continued)

History of experience gains and losses	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Experience gains / (losses) on scheme assets	(108)	(254)	746	(255)	201
Experience gains on scheme liabilities	-	989	-	-	391
Total amount recognised in the Statement of Total Recognised Gains and Losses	(1,368)	(514)	963	(1,135)	97

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £2,629,000 losses (2013-14: £1,259,000 losses).

Defined benefit scheme assets do not include any of the institution's own financial instruments, or any property occupied by the institution.

The estimate of the employer contribution for the defined benefit schemes for the year 2016 is £428,000.

The actual return on scheme assets in the year was £326,000 (2014: return £115,000).